BUPA FINANCE PLC
(Company No. 2779134)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Bupa Finance plc
Registered number: 2779134

Contents

Bupa Finance plc
Registered number: 2779134

Directors and Officers

Directors
S K Dolan
J A Lenton (appointed 16 November 2021)
J Linton (retired 4 March 2021)
G M Evans
M Potkins (appointed 1 January 2021, retired 31 December 2021)
G H Roberts

Company Secretary
C R Campbell

Registered Office
1 Angel Court
London
EC2R 7HJ

Auditors
PricewaterhouseCoopers LLP

Strategic Report

For the year ended 31 December 2021

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2021 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; Asia Pacific, Europe and Latin America and Bupa Global and UK.

About Bupa

Bupa's purpose is helping people live longer, healthier, happier lives and making a better world.

We are an international healthcare company serving over 38 million customers worldwide. With no shareholders, we reinvest profits into providing more and better healthcare for the benefit of current and future customers.

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. For more information, visit www.bupa.com.

Business model

Our businesses	What we do
Health insurance • 71% of revenue • 21.1m Insurance customers worldwide	• Our main business is health insurance for corporate customers, small and medium-sized enterprises (SMEs) and for individual customers. • 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 also deliver third-party administration services in selected markets. • We also offer international private medical insurance (IPMI) through our Bupa Global businesses, for 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, Brazil and through Bupa Global.
Health Provision • 21% of revenue • 370 health clinics • 16.9m provision customers worldwide • 1,000 dental centres	• Health clinics: Services include health assessments, GP 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: A wide network of around 1,000 dental centres.
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.

Strategic Report

For the year ended 31 December 2021

Financial Headlines

- Revenue[1] of £12.9bn was up 8% at constant exchange rates (CER) (2020[2]: £12.0bn).
- Underlying profit[3] before taxation of £509m, was up 14% at CER (2020[4]: £447m) as the impact of reduced COVID-19 lockdowns meant our health provision and aged care businesses operated with fewer restrictions and customers were able to access services more easily. This was offset by increased insurance claim levels resulting from reduced disruption to elective procedures compared to 2020.
- Statutory profit before taxation of £537m was up 10% at AER (2020[4]: £488m), reflecting higher underlying profit, and gains made on acquisitions and divestments.
- Solvency II capital coverage ratio[5] remains strong at 179% (2020: 160%).

Business context

- Full year 2021 results reflect strong customer growth across our insurance businesses, improving performance in health provision and aged care as we emerge from the pandemic.
- For health insurance, our largest business line, we undertook a range of actions to support our customers including announcing plans to return cash to Australian health insurance customers and processing payments to eligible UK Insurance customers following our 2020 return of premium pledge. In the UK, we were the first major health insurer to make such payments.
- There are major shifts in customer expectations and engagement, which have been accelerated by the pandemic, particularly in digital healthcare. We have refreshed our purpose, set a new ambition and launched a new strategy to address these changes. Our focus is on embedding this strategy and leveraging our strengths while we transform Bupa.

Financial position

- Solvency II capital coverage ratio of 179% (2020: 160%).
- Leverage[6] is 27.9% (2020: 33.6%) when including IFRS 16 leases as liabilities. Excluding these liabilities, the leverage ratio is 20.4% (2020: 26.3%).
- Net cash generated from operating activities was £939m, down £532m on prior year as a result of higher claims as disruption to elective procedures reduced from 2020.

New Strategy

- Bupa launched a new business-wide strategy to drive Bupa Group's transformation.
- Refreshed purpose: helping people live longer, healthier, happier lives, and making a better world, and introduced an ambition to be the world's most customer-centric healthcare company. This ambition reflects Bupa's commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare.
- 3 ambition KPIs for Bupa's strategy:
  - 40 % of our customers' care touchpoints will be owned by Bupa through its physical and digital provision
  - At least 60% of Bupa customers will fully interact with Bupa Group digitally
  - Bupa's Net Promoter Score will be 80, in line with the most customer-centric organisations in the world.
- Six strategic and enabling pillars define how Bupa will fulfil its purpose and achieve its ambition:
  - Customers: obsession with customer's experience
  - Growth: strong performance and governance
  - Transformation: continuous innovation and preparation
  - Sustainability: making a positive impact on the world
  - Data: enhanced data-driven decision-making
  - Agile Culture: the best, most diverse people and a great place to work
- This is what is called the **3x6 strategy.**

Other highlights

- We successfully launched a new Restricted Tier 1 (RT1) subordinated bond offer to the market alongside the partial buy-back of a Tier 2 bond which matures in 2023. These transactions enable us to enhance Bupa's capital base and demonstrate the continued financial flexibility of the Group.
- We confirmed our ambition to be a net zero business across all emission scopes by 2040. We have set science-based targets which are aligned to Bupa's contribution to keep global warming to no more than 1.5°C.

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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] 2020 revenue has been restated by £24m for the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia. See Note 1.5 for further detail.
[3] 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 the notes to the condensed consolidated financial statements.
[4] 2020 underlying profit and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further detail.
[5] The 2021 Solvency II capital coverage ratio is an estimate and unaudited.
[6] Leverage is calculated based on gross debt (excluding RT1) divided by gross debt plus equity.

Strategic Report

For the year ended 31 December 2021

Outlook

Although several of our markets have reached the advanced stages of vaccine deployment, we are still navigating the medium to long-term impact of COVID-19 in all our business lines. As restrictions are increasingly being lifted across the world, the vaccine rollout is progressing steadily, and economic activity is accelerating, we are positive about our future prospects. We know that the pandemic is not yet over and that conditions in some markets remain challenging, with the recruitment of healthcare workers an ongoing sector-wide issue, and with rising inflation increasing costs for our businesses. Specifically in Chile, we anticipate regulatory and political dynamics to affect our Isapre insurance business. While Bupa does not have businesses in either Ukraine or Russia, the macro-economic and human consequences of the conflict in that region are uncertain.

By focusing on the pillars of the new 3x6 strategy - customers, growth, transformation, sustainability, enabled by agile culture and data - we are adapting well to the changing external environment and transforming Bupa to meet changing customer expectations. Our digital transformation is continuing at pace so that we can offer more services where and when our customers need them.

We are well placed to navigate challenges and take opportunities because of our underlying financial strength, resilience and our diversified business model. We are focused on embedding the new strategy, driving growth and transformation so that we can run and change.

MARKET UNIT PERFORMANCE

Asia Pacific

	Revenue	Underlying profit
2021	**£5,498m**	**£249m**
2020 (AER)[7,8]	**£5,249m**	**£157m**
% growth	**5%**	**59%**
2020 (CER)	**£5,292m**	**£158m**
% growth	**4%**	**58%**

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2021	4.4	2.4	8,600

Performance

On 1 July 2021, we formed the new Bupa Asia Pacific Market Unit, comprising our businesses in Australia, New Zealand and Hong Kong SAR. These results and comparatives are presented as the new Market Unit.

Revenue increased by £206m to £5,498m at CER. Underlying profit was £249m, an increase of 58% at CER mainly driven by volume growth across our businesses and the non-recurrence of the six-month deferral of the premium increase for Australian Health Insurance customers, which was implemented in 2020. We began to see the benefits of transformation programmes, with an enhanced focus on operational efficiency and investing in digital to support better customer outcomes. Profitability increased as a result of changes in product mix and improved customer retention. This was partially offset by COVID-19 restrictions, temporary store and clinic closures in our Health Services business and the continued rebound of claims in Hong Kong Health Insurance.

In Australian Health Insurance, revenue grew with the non-recurrence of the six-month deferral of the premium increase implemented in 2020 - and the application, therefore, of a full year of premium rate increases - together with the delivery of business transformation initiatives. Underlying profit was up from a low base in 2020, driven by strong revenue, margin remediation initiatives from product migrations and better operational performance, including retention. During the pandemic we have provided over AUD$315m of support to customers, which included premium deferral, discounts, financial assistance and policy suspensions. We also announced plans to return £66m (AUD$120m) in cash to around 3.5m customers. The combined operating ratio (COR)[9] was 92%[10] (2020: 95%). We launched our Apple Digital card, which more than 420,000 customers have added to their digital wallets.

Health Services in Australia delivered revenue growth from improved volumes, mainly in the Australian Defence Force contract, with volumes maintained in our dental and optical businesses. Underlying profit declined significantly due to temporary COVID-19 closures. Lockdowns and border closures reduced volumes and profitability in our Bupa Medical Visa Services business. In December, we launched our new digital telehealth platform, Blua, which enables customers to attend appointments remotely with health professionals. We also announced the sale of our portfolio of 22 dental practices in New Zealand, previously managed under the Australian Health Services business.

Revenue in our Australian aged care business reduced due to the sale of four homes and closure of a further five homes as part of planned portfolio optimisation initiatives. Underlying losses improved, driven by an increase in occupancy to 87% (2020: 85%),

[7] 2020 revenue and underlying profit have been restated by £24m in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia. See Note 1.5 for further detail.
[8] 2020 underlying profit has been restated by £(14)m following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how the costs incurred in implementing a SaaS arrangement are accounted for. See Note 1.5 for further detail.
[9] 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.
[10] Bupa HI Pty Ltd (Australia): Based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).

portfolio optimisation and operating efficiency initiatives undertaken as part of an overall business transformation programme that began in 2019.

In our New Zealand aged care business, revenue improved, reflecting strong village sales. Closing occupancy was down to 88% (2020: 91%) due to COVID-19 restrictions. The underlying loss reflects higher operating costs. As part of our portfolio optimisation, we sold seven rehabilitation sites, one care home and announced the closure of three care homes.

In December, following an extensive proactive pay compliance review in Australia and New Zealand, we have quantified historical underpayments of employee entitlements affecting some current and former employees. Details are provided in Note 1.5 of the financial statements.

In Hong Kong SAR, revenue increased driven by the reopening of services and improved volumes in both provision and insurance. The continued rebound of claims led to overall underlying losses in Hong Kong Insurance, partially offset by the improved performance in Health Services from increased demand and the launch of new COVID-19-related services.

Europe and Latin America

	Revenue	Underlying profit
2021	**£4,004m**	**£185m**
2020 (AER)	**£3,765m**	**£207m**
% growth/(decline)	**6%**	**(11)%**
2020 (CER)	**£3,569m**	**£197m**
% growth/(decline)	**12%**	**(6)%**

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2021	4.5	11.4	5,300

Performance

Revenue grew by 12% with underlying profit decreasing by 6% at CER. Performance was driven by the normalisation of claims after exceptionally low levels in 2020 across all our insurance businesses, alongside challenges in our Chilean Isapre insurance business. This was offset by increased insurance volumes as new business sales continued to grow, as well as higher provision volumes with activity returning to historically normal levels.

Sanitas Seguros, our health insurance business in Spain, delivered good revenue growth driven by strong sales, with a net gain of 121,000 new customers, while underlying profit declined due to the impact of higher claims as restrictions were lifted and COVID-19 coverage was added to certain policies. The COR for the full year was 88%[11] (2020: 84%). We continued to enhance our digital offer with the launch of Conecta tu salud allowing customers to monitor their health through the Mi Sanitas app. There was strong growth of 22% in video consultations through BluaU.

Our Dental business in Spain delivered good results with revenue and underlying profit up, driven by higher activity following the lifting of restrictions. Customer numbers increased by 26% compared to 2020 to 202,000.

In our Hospitals and New Services business in Spain, revenue and underlying profit grew year on year with activity gradually returning to normal levels and government-related pricing uplifts. The number of video consultations increased to 24% of total consultations. In August, following a strategic review we sold our fertility business, Ginemed.

In Sanitas Mayores, our aged care business in Spain, revenue was broadly in line with 2020. Underlying profit was up driven by the recovery of occupancy post lockdown and the sale of three care homes and closure of one. Closing occupancy improved to 87% (2020: 76%).

In Chile, there was good revenue growth due to higher volumes and outpatient activity in our health provision business. Underlying profit was up in health provision which was more than offset by increased underlying losses in our insurance businesses. The performance of the Isapre insurance business was affected by regulatory interventions impacting the whole sector, which included preventing premium adjustments and mandating significant extensions to cover. To mitigate the impact of these regulatory changes, we restructured our business and reduced our operating costs. We expect the regulatory and political landscape to continue adversely impacting the Isapre business in 2022 and will continue to monitor this closely and engage with relevant stakeholders. We continued to enhance our digital offer, enabling customers to access networks of doctors and monitor their health.

In Poland, LuxMed delivered good revenue growth from new corporate subscriptions with increased underlying profit as activity gradually returned to historically normal levels. We opened four clinics, one imaging diagnostic facility and one mental health clinic. We also acquired three healthcare providers, reinforcing our leading position in the market.

In Turkey, our health insurance business Bupa Acıbadem Sigorta, delivered strong revenue growth driven by increased customer volumes, with a net increase of more than 332,000 customers. We ended the year with around 986,000 customers. Underlying losses were driven from higher claim volumes.
Care Plus in Brazil delivered strong revenue and customer growth while underlying profit was down due to the reduction of claims disruption.

[11] Sanitas S.A. de Seguros (Spain): Prepared under local GAAP (unaudited).

Bupa Mexico's revenue and underlying profit were up, driven by the launch of our first outpatient product distributed through BBVA, as well as a distribution agreement with HDI, higher volumes from Vitamedica, a third-party administrator we acquired in January 2021, and the reopening of provision services.

Bupa Global Latin America made an underlying loss as the claims disruption seen in 2020 did not recur. We expanded our digital offer with the launch of our app, Mi Bupa Latinoamérica and our first domestic insurance products in Ecuador.

Bupa Global and UK

	Revenue	Underlying profit
2021	**£3,396m**	**£78m**
2020 (AER)	**£3,122m**	**£122m**
% growth/(decline)	**9%**	**(36)%**
2020 (CER)	**£3,098m**	**£122m**
% growth/(decline)	**10%**	**(36)%**

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2021	2.8	2.9	6,100

Performance

Revenue was up 10% while underlying profit decreased by 36% at CER, driven by the insurance businesses as claims activity increased compared to 2020, with customers being able to access private healthcare more easily. This was exacerbated in Bupa Global, our IPMI business, where pricing of experience-rated products referencing the lower claims seen in 2020 led to reduced profitability.

UK Insurance revenue was up, as we added 135,000 new customers in UK PMI, Dental and Cash Plan, improving performance year-on-year. Underlying profit decreased due to the reduced claims disruption arising from COVID-19, partly offset by higher revenues. We announced in March 2021 that eligible health insurance customers would receive a share of £125m[12] in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and, as at 31 December 2021, we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021. We extended our women's health support by launching a new Menopause HealthLine offering advice from specially trained nurses. We continued to expand our digital offer with almost 400,000 customers now registered on Bupa Touch, giving them online access to their cover and benefits.

In Bupa Global, revenue was flat and underlying losses occurred both from the reduced claims disruption as COVID-19 restrictions eased, and where experience-rated products had been necessarily priced by reference to the lower claims seen in 2020. We saw lower new business volumes, although this was partially offset by strong retention. We launched Private Client, a new product tailored for Ultra-High Net Worth individuals, combining direct access to private medical specialists, wellbeing therapies and a dedicated concierge manager.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, worsened to 97%[13] due to reduced claims disruption in our PMI business and unfavourable claims experience in our IPMI business (2020: 92%).

In UK Dental, the underlying result improved as our practices remained fully open for the year compared to 2020. This allowed us to increase the number of private and NHS patients, although productivity was still limited due to strict COVID-19 safety measures. We completed the rollout of a new IT infrastructure to strengthen resilience across all practices in our network and launched Dentally, a new practice management system.

Revenue and underlying profit in UK Care Services were up due to a recovery in occupancy. Our closing occupancy rate was up to 84% (2020: 82%). Our Richmond Villages have seen strong growth with both occupancy up and strong sales of our retirement housing. Our journey transforming aged care through digital innovation has continued with the launch of eCare, an electronic care planning system, across Richmond Villages with the wider rollout to care homes in 2022. Sector-wide staffing pressures have continued, and we implemented the government regulation to mandate vaccines across all our care settings.

In Health Services, revenue and underlying profit increased, driven by higher customer numbers in clinics and increased demand for preventative wellbeing, alongside strong growth in mental health support services and COVID-19 testing services. In our clinics we launched a Menopause Plan offering women access to specially trained GPs. Cromwell Hospital continues to be impacted from reduced international business, and increased costs due to the pandemic.

[12] The £125m payment to customers comprises £110m of rebate payments under our pledge and £15m related to COVID-19 impacts within contractual payments under risk and profit share arrangements.
[13] Bupa Insurance Limited: Prepared under local GAAP. Excludes our associate Highway to Health (GeoBlue).

Strategic Report
For the year ended 31 December 2021

Other businesses

	Revenue	Underlying profit
2021	**£5m**	**£45m**
2020 (AER)	**£6m**	**£54m**
% (decline)	**(17)%**	**(17)%**
2020 (CER)	**£5m**	**£50m**
% growth/(decline)	**0%**	**(10)%**

	Health insurance customers (m)	Healthcare provision customers (m)
2021	9.4	0.2

Performance

On 1 July 2021, Hong Kong SAR entities were incorporated into a new Market Unit called Bupa Asia Pacific. The 'Other businesses' segment now includes our associate businesses Niva Bupa (formerly known as Max Bupa) in India, and Bupa Arabia, in Saudi Arabia. These results and comparatives are presented excluding the Hong Kong SAR entities.

In 2021, we saw increased customer volumes in both Niva Bupa and Bupa Arabia. Underlying profit was £45m, down 10% at CER, largely driven by the higher claim volumes in both associate businesses as COVID-19 continued to have an impact throughout Saudi Arabia and India.

FINANCIAL REVIEW

Overview

Revenue was £12.9bn, up 8% (2020: £12.0bn[14] at CER), and underlying profit was £509m, up 14% (2020: £447m[15] at CER). The Group's underlying results reflect strong customer growth across our insurance businesses and improving results in health provision and aged care as we emerge from the pandemic. This is offset by increased insurance claim levels following reduced disruption to elective procedures compared to 2020.

Our statutory profit before taxation was £537m, up 10% (2020: £488m at AER), reflecting higher underlying profit, and gains made on acquisitions and divestments, including a one-off gain arising upon the transfer of customers from CS Healthcare into our UK Insurance business and divestment of our rehabilitation business in New Zealand, partially offset by a small number of goodwill and intangible impairments.

We generated cash from operating activities of £939m, down £532m, primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Our Solvency II capital coverage ratio of 179% at 31 December 2021 (2020: 160%) remains strong and is above our target working range of 140-170%.

We repaid a £350m senior bond on its maturity in June 2021 and issued a £300m Restricted Tier 1 bond in September, alongside a successful £250m tender offer on the 2023 £500m Tier 2 bond. This enhanced our capital position. Additionally, in December our £800m revolving credit facility (RCF) with a maturity in August 2022 was refinanced and replaced with a new facility of £900m, expiring in 2026, improving our liquidity position. As at 31 December 2021, the RCF was drawn down by £150m.

Revenue (CER)

Revenue was up 8% through portfolio growth and price rises in our insurance businesses, alongside increased activity in our health provision businesses.

Insurance customer growth year on year was 18% (6% year-on-year growth when excluding our associate businesses' customers), driven by our Europe and Latin America Market Unit, especially in Spain and Turkey. Group insurance revenue grew 5%[16] as a result of the customer growth, and premium rate increases, including in Australia where an agreed change was deferred by six months in 2020. This was offset by our announcement in Australia Health Insurance to return £66m (AUD$120m) in cash to around 3.5m customers and a top-up to the return of premium pledge provision in UK Insurance.

Our health provision businesses saw revenue growth of 20% reflecting higher customer numbers as the impact of reduced COVID-19 lockdowns in 2021 meant our businesses operated with fewer restrictions than 2020 and customers were able to access services more easily.

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[14] Balances have been restated by £24m for a gross up between other revenue and financial expense (included within central expenses and net interest margin) in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia.
[15] Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further details.
[16] Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.

In our aged care businesses, revenue was broadly in line with 2020, with closing occupancy rates 3.5 percentage points higher as restrictions eased and more residents were admitted to our homes. This was offset by some targeted disposals of homes as part of portfolio management in Australia, New Zealand and Spain.

Underlying profit (CER)

Group underlying profit increased by 14% to £509m (2020: £447m[17] at CER), reflecting the continued emergence of our businesses from the pandemic. This has resulted in increased profits in health provision and aged care from reduced restrictions across our Market Units as well as lower COVID-19-related costs. This is partly offset by insurance profits reducing as strong customer growth could not offset the return to normalised levels of claims versus the disruption seen in 2020.

For our largest line of business, health insurance, despite good revenue growth, underlying profit decreased as insurance claim levels increased following reduced disruption to elective procedures compared to 2020. Incurred claims are gradually returning towards more normalised levels, with a higher volume of claims in some businesses; however, the volume and timing of these varies by market.

In Australia, we continue to hold a deferred claims liability provision of £163m at 31 December 2021 (2020: £171m at AER). Although broadly in line with the prior period, the provision was strengthened in the year due to the continued domestic claim disruptions caused by the pandemic. This was offset by a release coinciding with the announcement on 6 October 2021 that we would return £66m (AUD$120m) in cash to around 3.5m customers as a result of claim savings made. We will continue to monitor claim patterns to assess the impact of any further disruption to claims.

In the UK, we announced in March 2021 that eligible health insurance customers would receive a share of £125m in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and as at 31 December 2021 we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made to these customers. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021.

We returned to profitability in our health provision businesses, as restrictions in the majority of our markets reduced allowing customers to access these services. This is in contrast to 2020 when there were a number of temporary closures due to localised government restrictions.

The underlying loss in aged care reduced significantly year-on-year, with revenue and customer levels broadly in line, but with lower costs, as the cost of maintaining high standards of health and safety and the need for agency staff reduced. We have taken targeted actions to optimise our care home portfolio with divestments in Australia, New Zealand and Spain, helping our occupancy rates, which have increased by 3.5 percentage points from 2020. As restrictions continue to ease, we expect the aged care business to move back towards profitability.

Central expenses and net interest margin of £48m were lower than prior year (2020: £80m at CER) as higher investment returns, particularly in Turkey, were partly offset by the additional one-off costs for the partial buyback of a Tier 2 bond maturing in 2023.

Statutory profit (AER)

Statutory profit before taxation was £537m up 10% (2020: £488m[17]). This reflects the increase in underlying profit signifying the continued emergence of our businesses from the pandemic.

	2021 £m	2020 £m
Asia Pacific at CER	249	158
Europe and Latin America at CER	185	197
Bupa Global and UK at CER	78	122
Other businesses at CER	45	50
Underlying profit for reportable segments at CER	**557**	**527**
Central expenses and net interest margin at CER	(48)	(80)
Consolidated underlying profit before taxation at CER	**509**	**447**
Foreign exchange re-translation on 2020 results (CER/AER)	-	19
Consolidated underlying profit before taxation at AER	**509**	**466**
Impairment of intangible assets and goodwill arising on business combinations	(18)	(12)
Net gains/(losses) on disposal of businesses and transaction costs on business combinations	13	(1)
Net property revaluation gains	16	26
Realised and unrealised foreign exchange gains/(losses)	5	(2)
Other Market Unit non-underlying items	23	(7)
Group non-underlying items	(14)	3
Gains on return-seeking-assets, net of hedging	3	15
Total non-underlying items	**28**	**22**
Statutory profit before taxation at AER	**537**	**488**

In 2021, non-underlying items totalled £28m profit, compared to a £22m profit in 2020. The key drivers for non-underlying items

[17] Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further detail.

in 2021 were property revaluation gains in our New Zealand retirement villages, gains made on the divestment of our rehabilitation business in New Zealand and a one-off gain on acquisition, arising upon the transfer of customers from CS Healthcare into our UK Insurance business (£40m). This was partially offset by an impairment of intangible assets in Bupa Villages and Aged Care Australia in relation to unused bed licences following the government announcement to deregulate bed licences from 2024 and costs associated with the debt buyback earlier in the year.

Taxation

The Group's effective tax rate for the period was 18% (2020: 23%), which is lower than the current UK corporation tax rate of 19%. This is due to a prior year credit of £43m following a favourable court decision in Spain. If this exceptional item was removed, the Group's effective tax rate would be 26%, due mainly to profits arising in jurisdictions with a higher rate of corporate income tax than the UK. The change in the enacted UK tax rate from 19% to 25% (which applies from 1 April 2023) resulted in an increase in the overall tax charge of £14m.

Cash flow

Net cash generated from operating activities decreased by £532m to £939m primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Net cash used in investing activities decreased by £641m to £215m in 2021 with lower deposits being made as a result of the increased claims activity. In addition, we have received a £34m dividend from Bupa Arabia, whereas in 2020 we made an investment in Bupa Arabia to increase our holding by 4%.

Net cash used in financing activities increased by £215m to £600m primarily due to the repayment of a £350m senior bond upon maturity and partial buyback of £250m of Tier 2 bonds. This is partially offset by cash generation from the issuance of the Restricted Tier 1 bonds.

Funding

The key developments in 2021 were the Restricted Tier 1 bond issuance and partial buyback of the Tier 2 bonds in addition to the refinancing of the Group's RCF. A £350m senior bond was repaid on its maturity in June 2021.

At 31 December 2021, our £900m RCF was drawn by £150m (2020: £nil). During 2021, we also put in place a €30m bank facility in Spain to further support Group liquidity. This was fully undrawn at the year end.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 31 December 2021 was 20.4% (2020: 26.3%). Leverage is 27.9% (2020: 33.6%) when IFRS 16 lease liabilities are taken into account.

Coverage of financial covenants, which reflect interest cover and debt/net worth, remains well within the levels required in our bank facility.

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 for the Company, the main issuer of Bupa's debt.

The Company's senior debt ratings are A3 (negative) by Moody's and BBB+ (stable) by Fitch. Fitch and Moody's reviewed Bupa's credit ratings during 2021 with no changes.

Solvency

Our solvency coverage ratio of 179% remains strong and is above 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 2021, the estimated SCR of £2.5bn is flat to 2020 and Own Funds of £4.5bn was £0.4bn higher when compared to 31 December 2020.

Our surplus capital was estimated to be £2.0bn, compared to £1.5bn at 31 December 2020, representing a solvency coverage ratio of 179% (2020: 160%). Our business continued to generate capital through our underlying profitability. This capital generation was largely offset by capital expenditure, debt financing activities and negative FX movements during the period as sterling appreciated against some of our major currencies.

We have performed 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 and lease continues to be the most sensitive item, with a 10% decrease having a 11 percentage point reduction to the solvency coverage ratio.

Our 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	179%
Property values -10%	168%
Loss ratio worsening by 2%	172%
Sterling depreciates by 20%	172%
Interest rate -100bps	177%
Group Specific Parameter (GSP)[18] +0.2%	177%
Pension risk +10%	179%
Credit spreads +100bps (no credit transition)	179%
Equity markets -20%	179%

We include a Group Specific Parameter (GSP) in respect of the insurance risk parameter in the Standard Formula. We apply a premium recognition adjustment to the GSP loss ratio data to allow for the distorting impact of the COVID-19 pandemic. The PRA have confirmed its approval of this approach.

[18] 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 2021

Section 172 statement

Promoting our long-term success and sustainability

This statement sets out how the Board has acted in a way that promotes the success of the Company for the benefit of its sole shareholder, Bupa, in achieving its purpose of helping people live longer, healthier, happier lives and making a better world.

When making decisions, the Board takes into account:
- The likely long-term impact of the decision
- The interests or concerns of, and impact on, our key stakeholders
- The impact of our decisions and operations on the communities in which we operate, and the environment
- The need to maintain a reputation for high standards of business conduct.

Engaging with our key stakeholders

We consider our Parent, customers, people, bond investors, suppliers and regulators to be our key stakeholder groups, and their views and concerns are taken into account in developing our business model and strategy.

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 and Bupa's long-term sustainability and success. It is important for all levels of the business to engage with stakeholder groups to gain a better understanding of their interests and concerns and the impact our decisions have on them.

We set out below our key stakeholder groups and how we have engaged with them.

<u>Customers</u>

Our ambition is to be the world's most customer-centric healthcare company and our three ambition KPIs all relate to our customers. This means a commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare. We are aligning our health funding and our health provision assets across the world to support this ambition.

Our 3x6 strategy focuses on Customer experience through continuous innovation, a commitment to Sustainability, and business Growth underpinned by high standards of corporate governance. This puts customers at the core of everything we do and makes them our most important stakeholder group. Customer needs and preferences are evolving rapidly as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives, including healthcare.

Our customers are spread across the world and across our different lines of business in health insurance, health provision and aged care. The interests of different customer groups will differ by type of business and geography. By providing both health insurance and health provision we are well placed to understand the needs of customers throughout their interaction with healthcare systems and to integrate our offering to best meet these needs.

We champion quality, medically evidenced treatment and care, and seek to deliver value for money, provide exceptional care, keep our customers' data safe and help customers navigate the complex world of healthcare.

The Bupa Board receives regular reports tracking key customer metrics, such as NPS, complaints and customer research, to track how we are performing for our customers. From these reports, the key issues that our customers raise include:
- Affordability of health insurance
- Quality products with broad coverage and high standards of care
- Greater personalisation of health products and services
- Quicker access to services, such as through digital applications.

The Bupa Board is regularly updated on matters affecting Bupa's customers via the Group CEO's reports, Market Unit and Business Unit updates and via specific customer performance updates. The pandemic has accelerated the adoption of digital care delivery, and an increased level of digitalisation of the sector will continue over the longer-term.

The health of our planet can impact people's health and the wider economy, in turn impacting the affordability of our products and services for customers. Many of our key stakeholders expect us to take action on ESG and sustainability matters. Therefore, we aim to address these through our strategy. More information can be found in the Communities and the environment disclosure below.

<u>People</u>

Our people are at the heart of our business, supporting our customers every day. We want our people to feel engaged and empowered to deliver great outcomes for our customers, to feel that Bupa is a great place to work and to 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 to engagement 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.

People issues are flowed up to the Bupa Board through regular reports from the Group CEO, and as part of Market Unit updates to the Bupa Board. These included the impact of the ongoing pandemic on our people and actions taken to support them. In addition, the Chief Sustainability and People Officer provided updates during the year on progress of the People strategy, inclusion and diversity, talent and succession, gender pay gap and incentives. The Bupa Board also receives reports on issues raised through the Speak Up whistleblowing service.

The Bupa Board discusses the results of the global employee survey (People Pulse), which assesses engagement across the Group, considers the trends they reveal and makes recommendations to management as necessary.

People issues also flow through to the Bupa Risk Committee where regular reports from the Chief Risk Officer have included monitoring risks to our people's resilience due to the pandemic, and their capacity and capability to deliver the Group's transformation objectives. In late 2021, the Bupa Nomination & Governance Committee reconsidered the Bupa Board's approach to engaging with the workforce and designated the Bupa Chairman and two Bupa Non-Executive Directors to meet regularly with representatives of Bupa's people and Market Unit executives for the businesses in the UK, Australia and New Zealand, and Spain. This recognises that a more structured means of gathering views from the workforce would be beneficial to the Bupa Board in its decision-making. Less interaction has happened in 2021 than prior to the pandemic due to restrictions on travel preventing the Bupa Board from carrying out site visits in-person, and the changes to the way large parts of our business have had to operate to protect our customers and our people.

Regulators

The Bupa Group operates in highly regulated environments across both our health insurance and provision businesses. We are subject to financial services regulatory regimes in our insurance businesses and care quality regulators in our provision and aged care businesses. As a bond issuer, the Company is regulated by the UK Listing Authority of the Financial Conduct Authority (FCA) and complies with the relevant requirements of the FCA Handbook.

Regulators ultimately aim to make sure that we have the financial resources and the Risk Management Framework 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, with specific requirements for reserves in our insurance businesses
- Provide high-quality, clinically robust services
- Ensure that we operate in a responsible and sustainable way
- Have robust and effective processes and controls in place to mitigate risks to protect our customers.

The Bupa Group is firmly committed to achieving high standards of compliance with our regulatory obligations in all of the markets in which we operate. Increased levels of regulation, and liaison between regulators, are a continuing international trend. Therefore, we take a proactive and coordinated approach to managing the regulatory risks to which we are exposed in order to reduce the risk of our customers suffering detriment, and minimising any financial or reputational impact on Bupa. We have a Bupa Group-wide Regulatory Compliance Risk Policy in place to ensure high standards of compliance with the requirements of all relevant regulators.

We have a regular programme of interaction with the Bupa Group's lead insurance regulator, the Prudential Regulation Authority (PRA), and engage with them on key decisions of the Board and the Bupa Board. Senior members of the management team, the Bupa Chairman and the Chairs of the Bupa Board's standing committees have regular meetings with the PRA. We engage with the FCA on relevant Board decisions. Relationships with other regulators are maintained at a local level by our Market Unit and Business Unit management teams, with subsidiary board interaction with local insurance regulators, as appropriate.

Bond investors

The Company has a number of debt securities in issue and is therefore required to operate in accordance with the relevant UK Listing Rules, the Disclosure Guidance and Transparency Rules and Market Abuse Regulation.

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 Company's and the Bupa Group's financial performance and strategy. We hold roadshows for bondholders annually, and other significant developments are communicated via regulatory announcements, press releases and published on our website, bupa.com. Investors are interested in the Group's financial performance and strength and increasingly in our wider ESG and sustainability activities.

Suppliers and partners

Our suppliers and partners represent our brand and are critical to delivering a high-quality service to our customers. They include hospitals, medical consultants and other healthcare professionals, systems suppliers and suppliers of products to our hospitals, clinics, dental centres and care homes.

We have a Group-wide Suppliers Risk Policy governing our processes for the selection, contracting and management of all of our suppliers to ensure that they represent our values and will not compromise the service we provide to our customers or how we treat our people.

We are committed to:
- Treating our suppliers fairly
- Paying suppliers on time (as per contracted terms)
- Selecting suppliers without prejudice
- Working with our suppliers to support improvements in their social, environmental and ethical practices
- Maintaining a supply chain that reflects and aligns with our own standards of responsible business conduct.

We work with our suppliers to ensure that they have effective processes in place to protect our customers' health and safety and the security and privacy of their data.

The Bupa Group also regularly engages with health and social care professionals and NGOs and works with other commercial and non-profit organisations to make a positive impact on specific health issues.

Our Sustainability agenda includes a workstream on responsible business conduct with a key focus on responsible supply chain management, including combating modern slavery. Our latest Modern Slavery statement can be found on bupa.com together with our Responsible Supply Chain statement.

Communities and the environment

Sustainability is reflected in Bupa's refreshed purpose through the addition of the words 'and making a better world'. This demonstrates the broader role we expect to play, not only in the health of our customers and our people, but also for the health of our planet. Our contribution as a global healthcare company is to mitigate the impact of healthcare on the environment and build resilience into the healthcare system for our wider society.

For this reason, we are building climate risks and opportunities into our business: we are demonstrating our climate goals through our science-based targets and our ambition to become a Net Zero business by 2040; while we also transform our business to embed sustainability into all decision making. This is Bupa Group's first year disclosing against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. Bupa Group will continue to develop the detail of our TCFD disclosures as we complete further analysis and strengthen our strategies. For further details, please see pages 28 of Bupa Group's Annual Report and Accounts 2021.

We help to build healthier and more resilient communities and aim to have a positive impact on the environment. We have dedicated Foundations in Australia, Spain and the UK to channel some of our investment. During the year this included: projects to support people's mental wellbeing in the UK; Bupa Contigo to support healthcare workers and businesses across Latin America during the pandemic; and launching the Healthy Planet, Healthy People volunteering initiative in Australia with Conservation Volunteers Australia.

High standards of business conduct

Bupa has a robust system of governance and risk management in place and operates a 'three lines of defence' model to identify, manage and mitigate risk, to ensure that we maintain high standards of business conduct. Bupa aims, where appropriate, to operate to the same governance standards as are required of UK listed companies and the Company complies with rules relevant to debt issuers.

These include governance processes around decision-making; risk appetite statements set by the Bupa Board and risk policies and standards that are applied across the Group on areas including customer outcomes, people, capital management, supplier management, risk, clinical governance, data quality, information security, and wellbeing, health and safety. Further information on our principal risks and approach to risk management is on page 17.

All papers submitted to the Board are required to include a summary of key risks, how relevant stakeholders have been considered in the proposals and the governance process undertaken prior to seeking Board approval to ensure that stakeholder interests or concerns have been considered and that proposals have been through appropriate review and approval processes prior to submission to the Board. This assists the Board in making well-informed decisions that promote the long-term, sustainable, success of the business.

As mentioned above, our Sustainability agenda also includes a workstream on responsible business conduct management, to take a more proactive approach to ensuring that Bupa conducts its activities in a responsible way.

The Governance section commencing on page 25 describes the role of the Board; Bupa's system of governance, including the role of each of the three lines of defence; how we have complied with the UK Corporate Governance Code 2018 (the Code) during the year; and the role and activities of the Bupa Audit and Risk Committees.

Strategic decisions and their impact on stakeholders

The table below sets out a number of decisions taken during the year and how stakeholder views were taken into account. Most of these decisions were taken by the Bupa Board but impact the Group and are therefore relevant to the Company.

Bond issuance and related buyback - customers, regulators and investors	
The Board is responsible for promoting the Company's long-term sustainable success and ensuring that the necessary resources are in place to meet its objectives. Maintaining a strong capital base and access to liquidity means that the Group has the resources now, and in the future, to be able to maintain and improve its offer to customers and to fund the future growth of the business. The Bupa Board monitors the Bupa Group's funding and liquidity position to ensure that we have sufficient headroom in the level of liquidity we hold above risk appetite.	Action In September 2021, the Board approved the issue of a Restricted Tier 1 bond, and a partial buyback of a Tier 2 bond already in issue. This was part of the Group's proactive management of its funding and capital structure and the issue was intended to increase our financial flexibility by establishing access to the Restricted Tier 1 capital market and create additional Tier 2 capital headroom. Stakeholder considerations Management discussed the proposals with HMRC and the PRA in advance and sought their clearance and approval respectively. Management met with potential investors ahead of the issuance. The Board considered other potential courses of action and felt that this provided the best outcome, and that the novel (for the Company) structure of the Restricted Tier 1 bond did not pose any risks to the Bupa Group's strategy. The issuance also offered a liquidity event for current holders of the bond being partially bought back.

	Long-term impact The bond issuance enabled the Company to demonstrate to investors, regulators and customers that we 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. The issuance and partial buyback has enabled the Company to enhance its strong liquidity and capital positions and extend our debt maturity profile, maintain our good standing in the bond market by meeting investors' expectations and improve our offer to our customers and to generate sustainable long-term growth.
Supporting our customers – customers, high standards of business conduct and regulators	
The COVID-19 pandemic resulted in a number of limitations being imposed on the provision of medical services in Australia which materially disrupted the private health insurance industry there. In 2020, a provision was established for deferred claims in our Australian Health Insurance business and a number of actions were taken to support customers. As a result of similar disruption to the UK private health insurance market, the Board approved a proposal in 2020 from our UK Health Insurance business to pass on any exceptional financial benefit ultimately arising from the pandemic to its UK Health Insurance customers.	Action In September 2021, the Bupa Board, and the board of our Australian Health Insurance subsidiary, considered and endorsed a proposal from this business to return £66m (AUD$120 million) in cash to around 3.5 million customers as a result of claims savings made during the period of COVID-19 restrictions. This coincided with a release from the deferred claims liability provision made in 2020 (and which had been strengthened in 2021). In March 2021, the Bupa Board, and the board of our UK Health Insurance subsidiary, considered and endorsed a proposal from our UK Health Insurance business that eligible health insurance customers would receive a share of £125 million in return of premium, following the pledge made in 2020 to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. The business continues to monitor claims patterns and, as at 31 December 2021, a premium provision of £71m is held in respect of UK Health Insurance, representing the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021. A number of other actions were taken in response to the pandemic in all our markets. Stakeholder considerations For both decisions, the Bupa Board and the relevant subsidiary boards, balanced customers' desire for swift action with the impact of the rebate on the businesses' current and forward-looking capital and liquidity and the expected level of claims rebound going forward. The proposal for the UK Health Insurance business was discussed in advance with the PRA and FCA who were concerned with both maintaining sufficient capital and treating customers fairly. The Australian Health Insurance proposal was in line with guidance published by the local insurance regulator. Long-term impact Claims patterns continue to be monitored to assess the impact of any further disruption to claims.
Dividends – shareholder, investors, customers	
The Board needs to manage the desire for its Parent to receive dividends with the funding required by the business to achieve the Group's objectives, and the need to maintain the financial strength of the Company.	Action The Board approved an interim dividend. Stakeholder considerations The Board considered 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 the payment of an interim dividend. Surplus funds which are not distributed to the shareholder are reinvested back into the business to help achieve the Group's purpose and strategy. Long-term impact Prudent financial management supports the long-term success of the Company and its shareholder, Bupa, motivates management to deliver strong and sustainable business performance, and maintains the strength of the Company's creditworthiness rating as a bond issuer.

Treasury management – customers, people, shareholder and suppliers	
The Company needs to ensure that it, and its subsidiaries, can meet their financial obligations.	Action The Board took treasury management decisions during the year to ensure that the Company and the Bupa Group met their financial obligations. Stakeholder considerations Stable performance and liquidity provides reassurance to suppliers that they will be paid on a timely basis for the 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. Long-term impact Managing the Company's and the Group's liquidity mitigates operational, financial and reputational risk and thereby ensuring the Bupa Group's sustainability.
Financial statements – investors, regulator and high standards of business conduct	
The Company's and Group's accounts must give a true and fair view of the business and comply with all relevant legislation and regulation.	Action The Board approved the Company's 2021 Half-Year Results and 2021 Annual Report on the recommendation of the Bupa Audit Committee. Stakeholder considerations These ensure that investors have relevant information on the Company's performance which they can use to base investments decisions on. Results presentations are conducted for bondholders and analysts to attend and ask questions. Long-term impact This provides assurance to investors of the Company's ability to maintain its obligations related to its listed debt securities.

Strategic Report

For the year ended 31 December 2021

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 better 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 all of our stakeholders' expectations.

Our comprehensive risk management programme ensures that risk management comes 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 2021

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 continued to put 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. With a new strategy and an enhanced purpose, we have also placed significant emphasis on the risks associated with the new strategy, 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 recent experiences or events, including the pandemic, to assess what lessons could be learned and implemented across the Group
- Review of 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 changing regulatory and political environments across the Group
- Reviewing and enhancing our liquidity risk appetite
- 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
- Strengthening our clinical governance structures and approach
- Reviewing the risks associated with our workforce relating to the resilience of our staff but also the strategic risks associated with workforce availability
- Continuing to improve our information security and privacy controls to respond to the ever-evolving external environment
- 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 (NEDs) at Group Board level and at subsidiary board level for our main insurance subsidiaries (more on our system of governance in the governance section).

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. The Bupa Enterprise Risk Committee (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 Bupa Group CEO.

Each of our large insurance entities is overseen by a local Board Risk Committee, consisting mainly of independent 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
- 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
- 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 as a result of 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 a joint Audit and 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

We adopt a risk management lifecycle to continually identify, assess, manage, monitor and report our risks.

Risk appetite

Our Board approved 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
- Operational risk, including information security; privacy and clinical risks.

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

Risk profile

We accept 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 cash flow 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 and trading conditions.
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 absolute claims across the Group are higher than prior year, there continues to be reduced claims in some markets from restrictions causing 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. There is a relatively low exposure to reserving risk compared to underwriting risk due to the very short-term nature of our claims development patterns We have extensive control mechanisms in place, including holding an appropriate prudence margin, to ensure that 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 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.	Maintaining internal control processes and governance frameworks, approving risk policies and assessing compliance help to mitigate this risk. The Group 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. Our Market Unit Executive Risk Committees regularly review these residual risks and the mitigating actions taken to reduce them. They also inform the 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. Strategic and operational risks remained heightened due to the pandemic and the launch of our new strategy.

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 continue to be 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. We are continuing to invest in actions to enhance security as we further 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 continue to increase 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. We have 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 insurance conduct rules, 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 our 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 and climate change and other issues which can be interpreted as having a 'ethical' dimension including executive and/or low pay, Inclusion and diversity, 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	In order to ensure that 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.

		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.	
Strategic workforce risks	Risks associated with the resilience of our own people, particularly as a result of the pandemic, including safety and wellbeing and capacity, which impact on our employee's ability to deliver for the customer. This also includes strategic risks associated with workforce availability.	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. 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. In many markets we continue to see strategic challenges associated with workforce availability which may impact our ability to deliver services.	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. These pandemic-related risks 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 actions support our people through this. Workforce availability remains a key area of focus for senior management with a range of activities underway in each market to address challenges.
Technology and resilience	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/ behaviors 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 that depressed economic conditions further exacerbate existing challenges around demonstrating value to customers with reduced spending power which could impact the profitability or viability of the business.	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. In many markets we are seeing heightened inflationary pressures. We manage any macroeconomic, regulatory and political uncertainty following the UK's exit from the EU as part of our business as usual risk profile. Weakened economic environments are also likely to compound the existing affordability challenges in health	We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges.

		insurance as premiums rise, driven by medical inflation which continues to increase at a higher rate than inflation.	
Transformation execution risks	The risks associated with failing to deliver effective and timely transformation and change. This includes the risks associated with acquisition and disposal decisions and their implementation.	Our new strategy is focused on addressing customer expectations as they change, particularly following the pandemic. All Market Units have a range of transformation activities underway.	Transformation and strategy execution are a key focus of senior management. Appropriate governance structures are in place to monitor the transformation activities underway.
Geopolitical uncertainty and supply chain disruption	The risks associated with geopolitical uncertainty and increasing nationalistic policies across our businesses and, in particular, the impact of this on supply chains.	This has been an emerging trend for some time but has been exacerbated by the pandemic. While Bupa does not have businesses in either Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impacts on Bupa's businesses. We are also seeing impacts as a result of Brexit.	Throughout the pandemic we have heightened our supplier monitoring, management and communications to help minimise disruption. For key product lines, we built up Bupa owned or controlled stocks to minimise supply chain delays and avoid supply shortages.

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.	We have identified our key climate-related risks over the short, medium and long term. The principal risks we have identified are reputational and regulatory compliance risk (short term), acute and chronic physical risk impacting our property portfolio and aged care businesses (medium to long term), and transition risk impacts in the wider economy impacting affordability of our products and services (medium to long term). There are also likely to be health impacts from climate change which will impact health insurance claims in the longer term (long term). We do not expect climate change to have a material impact on our investment and insurance risk exposures in the short term. Our businesses' planning and strategy process incorporates the consideration of these risks. 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. A key focus is our commitment to become a net zero business by 2040, across all our operations and throughout our value chain, underpinned by our 1.5 degree aligned science-based targets.	We have integrated climate risk management into our Group-wide Risk Management Framework which sets out how we identify, assess, manage and report on risks. We will continue to focus on embedding climate risk fully through the underlying processes across the Group. We have a Corporate Responsibility and Sustainability policy which includes environmental consideration and is reviewed every two years. The policy will be updated in Half 1 2022 to reflect our new sustainability strategy that is in development. We have also updated our policies for a range of other key risks affected by climate change, such as our M&A and procurement policies, and will continue to consider the impact on all other policies as they are reviewed. We have established a Group-wide Environment and Climate Action programme to consider and take appropriate action for Bupa both in terms of managing the risks climate change poses to Bupa but also the risk Bupa poses to the environment based on our operations. In addition, our Board Sustainability Committee advises the Board and Executive on the environment and climate change risk. The direct impacts of climate change on health are uncertain 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 performed a range of climate-related stress testing, including a 2 degree aligned disorderly transition scenario and will continue to explore further potential scenario analysis and stress tests to perform, including 4 degree aligned scenarios. The results of these tests have strengthened our understanding of our risk profile and will form a key input into future strategic decision-making.

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 continued to de-risk our liquidity and capital positions, having issued Restricted Tier 1 bonds in September 2021 and settled a proportion of 2023 subordinated notes. However, we continue to monitor the markets to ensure that we appropriately fund the Group. We have reviewed and updated our liquidity risk appetite during the year.

By order of the Board

James Lenton
Director
7 March 2022

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 the 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 which enables risks to be assessed and managed. As already stated in the Risk section, our system of governance includes a Risk Management Framework (RMF) implemented using a 'three lines of defence' approach. In addition, the External Auditor provides further assurance to the Bupa Audit Committee and the Board in relation to the Group's financial statements.

The RMF ensures that:
- All parts of the Group apply a consistent and robust approach to risk management
- Current and emerging risks and climate-related risks to the business are identified and their potential consequences are understood
- Risk appetites are established 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 encouraging our people to communicate risk events without fear of blame
- A culture is encouraged in all areas of the Group to reward appropriate risk behaviours, and challenge and sanction inappropriate risk behaviours.

<u>Key components of the Risk Management Framework</u>
The roles of each line of defence are set out below, together with a description of our Speak Up whistleblowing process.

The Bupa Board is ultimately responsible for establishing and monitoring Bupa's system of governance, risk management and control (via the RMF and three lines approach) and setting associated policies for implementation by management.

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 understand their responsibilities we have the Bupa Code (which sets out how we expect our people to behave every day), mandatory training on key topics, and role-specific training for frontline people. We also undertake regular internal communications campaigns on key issues to maintain awareness and share relevant information. Each Business Unit sets target risk outcomes for the year, which are reviewed and agreed with Market Unit management and Group management risk committees. These are subsequently monitored by local management and the outcomes reported to the Risk Committee. The Internal Control and Risk Management Assessment (ICRMA) process assesses compliance with our Risk Policies. It is carried out by the first line of defence and challenged by the second line (risk, compliance and clinical governance) and third line (internal audit). It requires continuous monitoring of risk management controls and timely escalation of identified issues or gaps against 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, Compliance and Clinical Governance

<u>Risk and Compliance Function</u>

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 Bupa's Chairman and to the Chair of Bupa's Risk Committee, which has responsibility for approving the appointment (and removal) of the CRO. The Risk and Compliance Function operates across the Group and each Market Unit has a chief risk officer.

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 to which the Group is, or might be, exposed.

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 Internal Control and Risk Management Report that sets out the opinion of all three lines of defence.

Further information on our approach to risk management together with details of the principal and other significant risks to the Group are set out in the Risk section on page 17.

Clinical Governance Function

The Clinical Governance (CG) Function, led by the Chief Medical Officer (CMO), is responsible for establishing and overseeing Bupa's Clinical Governance framework. The CG Function works closely with the Risk and Compliance Function to ensure clinical 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)

Purpose

GIA provides independent and objective assurance to Bupa's Audit Committee over the effectiveness of Bupa's systems of governance, risk management and internal control by establishing, undertaking and reporting on an approved assurance plan each year. This helps the Group to accomplish its purpose, protect its assets, reputation and sustainability, and ensure that risks to Bupa's customers and businesses are managed appropriately, in line with the risk appetite set by the Bupa Board.

Independence and governance

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. The CAO liaises with the Group CEO on day-to-day operations. GIA has no direct operational responsibility or authority over any of the business activities, risks and associated internal controls that it assesses. GIA is primarily staffed internally, but 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 Bupa Audit Committee on GIA's activities as well as management's progress in addressing findings from its assurance work, and all GIA reports are made available to Bupa Audit Committee members. The CAO regularly attends Bupa Risk Committee meetings, and other executive committee fora in order to ensure GIA's work is adequately informed, supported and communicated.

Further details of the activities of the Bupa Audit Committee in relation to GIA are set out in the Bupa Audit Committee report on page 33.

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 Audit Committee in September 2021 and is available on bupa.com.

Assurance activity in 2021

GIA undertakes risk-based assurance work in accordance with an assurance plan approved and monitored by the Bupa Audit Committee. During 2021, this included assurance activities over recurring key risks across Bupa's Business Units and functions and including prioritisation of coverage across the following four areas: organisational resilience; change management and execution; risk governance; and information security. The assurance plan responded to ongoing areas of inherent risk facing Bupa's business, but also took account of the impact of the ongoing pandemic, the establishment of Bupa's new 3x6 strategy, and the amount of change inherent in Bupa's plans.

Performance and quality assurance

GIA's overall performance is measured against a balanced scorecard with target measures, approved by the Audit Committee, encompassing GIA service delivery, functional development, stakeholder management and audit resource management. The 2021 balanced scorecard and associated quality assurance report has provided positive assurance over GIA's ongoing effectiveness.

GIA maintains a quality assurance and improvement programme which 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.

Focus of 2022 assurance activity

GIA's assurance plan for 2022 has been developed to address core risks facing Bupa's business and aligned with an agreed set of risk priorities developed in conjunction with the second line and agreed with Bupa's Audit and Risk Committees. Alignment of assurance goals relating to agreed risk priorities will help ensure that Bupa's overall assurance activities are conducted more effectively and efficiently than in previous periods. Assurance activity is being prioritised to address key risks relating to: transformation, change and resilience; customer and conduct risks; Information security and data integrity; supply chain and sustainability; core financial risks; and risk governance and control. GIA's planned assurance will be delivered at a global, Market Unit and Business Unit/local level. All audits will consider risks and controls associated with first/second line risk assurance, risk culture, data, people and change.

Integrated reporting

An integrated report, which provides an overview and assessment of the Group's systems of risk management and internal control in 2021, combining inputs from each of Bupa's three lines of defence, was presented to a joint meeting of Bupa's Audit and Risk Committees in February 2022. The report enables the Board 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 Board reports on Bupa's compliance with associated aspects of the 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, and provide feedback on the action taken in response to concerns raised. All employees complete mandatory annual training and there are Speak Up officers for each business. We use our engagement survey to test the level of confidence our people have in Speak Up and invite feedback. The Audit Committee annually reviews the Speak Up 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 our shareholder concerning the audited financial information in this Annual Report and Accounts. PricewaterhouseCoopers LLP (PwC) was appointed at the 2021 AGM as our new External Auditor. The lead audit partner, Jo Leeson, attends all meetings of Bupa's Audit Committee and Risk Committee and provides regular reports to Bupa's Audit Committee.

PwC has internal procedures and controls to follow the Ethical Standards issued by the Auditing Practices Board and the FRC 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 PwC'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. The policy is in line with the FRC's Revised Ethical Standard 2019 on the integrity, objectivity and independence of external auditors. It sets out certain pre-approved services, permitted services requiring approval and prohibits all other services. Non-audit services are generally capped at 70% of the average Group statutory audit fees paid over the preceding three years. In practice, only pre-approved services or permitted services are allowed in exceptional circumstances. Depending on the value, permitted services must be approved in advance by the Group Financial Controller, Group CFO or Chair of the Audit Committee. For 2021, PwC's first year as External Auditor, the level of non-audit services is capped at 70% of the Group statutory audit fee agreed for 2021.

Information on the Bupa Audit Committee's interaction with the External Auditor during the year can be found in the Audit Committee report on page 34.

Our people

<u>Culture and our people</u>

The Bupa Board is responsible for ensuring that our culture is aligned with Bupa's purpose, values and strategy 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 to enable us to deliver our purpose.

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. During the year, the Bupa Board reviewed the Group's values in the light of the new strategy and approved a revised set of values: brave, caring and responsible.

Senior managers across the Group were involved in formulating the revised values. The Bupa Board felt that the chosen values link well with Bupa's refreshed purpose and strategy and the tone of the culture that the Bupa Board aims to foster for the organisation as a healthcare company taking responsible actions and caring for its customers, people and the planet, and embracing the innovation, change and challenge required to achieve its strategy. Our new strategy requires an evolution in our culture to enable our people to drive continuous improvement and help us become a truly customer-centric organisation, while preserving important aspects of our culture such as maintaining a control environment that supports our risk appetite.

In addition, Bupa has a number of leadership imperatives, endorsed by the Bupa Board, 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 culture in a number of ways including direct workforce engagement (described further below) and regular people-related items on its agenda including:

- Measuring our people's engagement level and how they embody Bupa's values 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
- Leadership development, talent and succession, inclusion and diversity and employee wellbeing.

Engaging our people

The Code requires boards to understand the views of companies' key stakeholders and recommends a number of methods for engaging with the workforce. When this requirement came into force in 2019, we set out why the Bupa Board's workforce engagement practices at that time were considered appropriate for Bupa, recognising that they were not one of the three proscribed methods of engagement set out in Provision 5 of the Code. Bupa's Nomination & Governance Committee has monitored developing best practice in this area and considered other approaches to workforce engagement. In December 2021, the Committee approved an enhanced approach and designated Roger Davis, Michael Hawker and Matias Rodriguez Inciarte as the designated Directors to meet regularly with representatives of our workforce and to participate in workforce events in the UK, Australia and New Zealand, and Spain, respectively. An annual programme of events is being developed for each Director and each of the three Directors will regularly report back to the Bupa Board, with a view to enhancing the dialogue between the Bupa Board and the wider workforce. The Bupa Nomination & Governance Committee will monitor the implementation and impact of the revised approach during 2022. During the year, the Bupa Chairman has attended a UK and a global 'town hall' meeting with our people and sent out a Christmas message to thank our people for their continued hard work.

Engagement methods during 2021 are described in more detail below.

Listening

Bupa listens to its people and promotes a positive, flexible working environment and an inclusive and diverse culture so everyone can be their authentic selves at work. Our People Pulse survey tool provides sophisticated insights and benchmarking against other companies, so that 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. We have also rolled out an interactive employee engagement platform which enables open discussion for all of our people, including frontline health provision and aged care staff without a Bupa email address.

During the year the Bupa Board has considered the results of two People Pulse surveys, held two update sessions on the Speak Up process, received an update on the People strategy and on health, safety and wellbeing, covering both employees and customers.

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 Directors to gain an insight into the issues important to our people in various 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 have been arranged virtually, so far as practicable.

The continuing pandemic meant that site visits were not possible during the year however, the Bupa Board continued to closely monitor the health, safety, wellbeing and resilience of our people through regular reports from the Bupa Group CEO, which include updates from the Market Unit CEOs, Group CRO and other functional leaders and in discussion with Market Unit CEOs when they attended Board meetings. As set out in the relevant sections of this Annual Report, the Bupa Board Committees liaised with the relevant chairs of committees of our major insurance subsidiaries and met with senior managers for each Market Unit.

Senior managers also held regular online meetings with their teams, including on the Group's full year and half year results. The Group CEO and Chief Sustainability and People Officer have also published a series of podcasts to our people on different aspects of the 3x6 strategy.

The recent launch of the new employee engagement platform has further enhanced our ability to engage with employees, with Executive Directors and senior management regularly posting content about initiatives or successes and can interact with our people. Examples include asking staff to give 'shout-outs' to colleagues that they see living our values and going above and beyond what is expected of them, to senior executives sharing their stories on topics such as mental wellbeing and resilience. Employee forums are also still in place for areas such as training and development, IT and security and for local office issues.

Inclusion and diversity

We aspire for all our people to feel valued, encouraged and supported to achieve, to be treated fairly and to feel that they belong at Bupa and can truly be themselves. We strive to be an inclusive and diverse organisation, embracing diversity in all its forms. This is embedded in the 3x6 strategy, which aims for Bupa to have the best, most diverse people and be a great place to work. We expect our leaders to demonstrate inclusive leadership and build diverse teams to reflect the customers and communities we serve. During the year, the Bupa Board received an update on Bupa's progress in this area and the planned activity for 2022 which includes improving our ability to capture meaningful data to measure progress, providing further training to our leaders and making mentoring available more broadly to support diversity in our succession and talent pools.

The recruitment, training, career development and promotion of all employees is based on the skills, knowledge and experience of the individual and takes no account of age, disability, race, beliefs, gender, sexual orientation or other characteristics. Should employees become disabled during employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Our approach to inclusion and diversity is published on bupa.com. It focuses on creating inclusive cultures, leadership and practices. It is globally set and locally owned, with each Market Unit having 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. We have no tolerance for racism or discrimination of any kind. We measure progress in a number of ways, including by tracking our overall employee engagement and our people's sense of belonging in each country in which we operate through the People Pulse surveys, and monitoring key data points in our senior leadership teams such as gender, ethnicity and disability where we are able to.

Governance
For the year ended 31 December 2021

Our approach to inclusion and diversity supports our Sustainability and ESG agenda and is sponsored by two members of the CEC who sit on our Inclusion & Diversity Steering Committee. The Bupa Board also has a Board Diversity Policy which is available on bupa.com.

<u>Senior succession and talent review</u>

During the year, the Bupa Board considered a review of senior talent below CEC level and succession plans for each CEC member. A mentoring programme has been put in place for Bupa NEDs to mentor senior leaders which has been very well received and will be continued in 2022. Gender diversity had increased in the senior talent pool to around 50% women. As part of routine succession planning, the Bupa Board also considered the succession plan for the Group CEO and the actions needed to further develop individuals in the pipeline.

Complying with the UK Corporate Governance Code 2018

As the Company's Parent chooses to apply the UK Corporate Governance Code (Code) to the extent applicable to a company without shares, the Company also chooses to apply certain Principles of the Code which it believes are appropriate for a large, wholly owned subsidiary company with a sole corporate shareholder and debt investors. The Company does not apply the following Principles of the Code as they are applied by the Company's Parent by the Bupa Board and its Committees and 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

Throughout 2021, we applied the remaining Principles and complied with all the related provisions in the Code, to the extent they are applicable to a wholly owned subsidiary company. The Code is available on frc.org.uk.

The table below sets out how we have complied with the relevant Principles of the Code during 2021.

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 Bupa 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 within a prudent and effective governance structure, using a three lines of defence model. The Section 172 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 its recently updated purpose of '*Helping people live longer, healthier, happier lives and making a better world*'. The Bupa Group's refreshed values and new 3x6 strategy are driven from this purpose. 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 annually approves the Bupa Group's annual budget and base operating plan for the following three years ensuring that sufficient resources are available to achieve the Company's objectives, and receives regular management information on progress against the annual operating plan and a quarterly rolling forecast. 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 Risk Committees. 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. An integrated report on internal control and risk management giving the opinions of each of the three lines of defence is considered by a joint meeting of the Bupa Risk and Audit Committees prior to the Board approving the statement on internal control and risk management in each Annual Report.
D. Stakeholder engagement	We are a customer-focused business reliant on our people to deliver great service. The Directors consider the impact of decisions on relevant

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.	stakeholders, as described further in the Section 172 statement. Across the Group, there is an active programme of engagement with our key stakeholders, including our customers, our people, regulators and bondholders. Briefing calls with our bondholders on the Company's half year results and Annual Report are held, together with an annual roadshow. Other significant developments are communicated via regulatory announcements, press releases and Bupa's 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 concern.	Bupa's People framework includes ensuring that the Group's workforce policies and practices are consistent with our values and support our long-term sustainable success. The Bupa Board receives regular updates on the issues reported through Speak Up, and on investigations and actions taken. 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 that papers are of a high quality. He is responsible for the Group's Subsidiary Governance Risk Policy, which sets minimum standards of corporate governance across the Bupa 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 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 & Governance Committee to the Bupa Board for approval. See the Bupa Audit Committee report below for more information.
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 Group'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 2021 half year results and the 2021 Annual Report and Accounts and concluded that Bupa maintained a sound and effective system of risk management and internal control with some weaknesses in internal controls, which are being addressed by management.
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 2021 Annual Report and Accounts in early 2022 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects and reported its findings to the Board.
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 Audit Committees monitor the Group's risk appetite which sets out the nature and extent of risk the Board are willing to take and agrees the principal risks facing the business. A Risk Management Framework is in place to identify, monitor, manage and assess risk. Bupa operates a three lines of defence model and the Bupa Risk Committee oversees the principal risks facing the Group and the processes and plans in place to mitigate or monitor those risks. The Bupa Risk and Audit Committees monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis, including monitoring emerging risks.

Bupa Audit Committee report
The Committee's role and governance

Bupa's Audit Committee also acts as the audit committee of the Company. The principal function of the Committee is to monitor the integrity of Bupa's and the Company'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 Committee comprises independent NEDs, all of whom are considered to have recent and relevant financial experience gained through their executive and non-executive careers. Three of the four Committee members are chartered accountants. There are cross-memberships between the Committee, the Bupa Risk Committee and the Bupa Remuneration Committee to oversee risk management and internal control, ensure an integrated approach to risk management and assurance between Group Risk and GIA, and to provide input on the quality of the Group's financial results to aid remuneration decisions.

The Bupa Group CEO, Group 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.

I am preparing to hand over my role as Committee Chair as I am due to retire from the Bupa Board on 30 April 2022. The Bupa Board has identified an internal candidate to succeed me as Committee Chair, subject to regulatory approval.

Key activities in 2021

During the year, the Committee considered the following regular items of business:

- Regular reports from management on key issues and judgements impacting the Group's statutory and regulatory financial results
- The appropriateness of the going concern basis of accounting for the Group's and Bupa Group's half year and full year financial results and the longer-term viability statement in the 2021 Annual Report
- Reports from the CAO on the internal control environment
- Reports from the Chief Actuary on insurance claims reserving
- The annual letter to management on internal control from KPMG, the outgoing External Auditor
- The transition to the incoming External Auditor, PwC's audit plan, engagement letter and audit progress and conclusions.

Key issues the Committee considered during the year included:

- The ongoing impact of the COVID-19 pandemic on the Bupa Group's IFRS and Solvency II insurance reserves
- Overseeing the transition to PwC as External Auditor
- Management's proposed approach to implementing IFRS 17 Insurance Contracts
- The representations and disclosures associated with the bond issuance and partial buyback that completed in September 2021
- The Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance, which could impose additional responsibilities on companies and audit committees in relation to corporate governance, internal controls and external audit requirements.

Further information on some of these topics is set out below.

<u>Insurance claims reserving</u>

Bupa continued to hold additional technical provisions during the year where constructive obligations relating to the pandemic required such liabilities to be recognised.

A deferred claims provision continued to be held throughout the year in respect of the health insurance business in Australia, where the Australian prudential regulator (APRA) continued to mandate the need to provide for the rebound of claims following the COVID-19 disruption to private medical services, creating a constructive obligation for the Group to pay claims in relation to the disrupted business.

As a result of similar disruption to the UK private health insurance market, the Bupa Board approved a proposal in 2020 from our UK Health Insurance business to pass on any exceptional financial benefit ultimately arising from the pandemic to its eligible UK Health Insurance customers (as reported in Bupa's 2020 Annual Report) and a return of premium provision was established. A provision remains in place at 31 December 2021.

The Committee has continued to monitor the impact of COVID-19 on the Group's IFRS and Solvency II insurance reserves, particularly in relation to the judgements and calculations of the deferred claims provision estimates held in the Australian Health Insurance business and the return of premium provision held in the UK Health Insurance business. The estimates were refreshed regularly during the year with reference to the latest claims experience and other factors influencing the recognition and estimation of these reserves. The Committee considered the appropriateness of the overall level of insurance reserves, including the level of prudential margin. In reviewing and approving the insurance reserves, the Committee also took into consideration the External Auditor's report to the Committee.

It considered updates on the return of premium provision for UK Health Insurance customers and the deferred claim liability provision held by the Australian Health Insurance business and agreed that these were appropriate.

<u>Bond issuance</u>

In September 2021, the Board approved the issuance of a Restricted Tier 1 bond and partial buyback of an existing senior bond. The Committee was satisfied with the results of management's analysis that there were no recent developments in the business which would impact the transactions or require additional disclosure in the offering document and noted considered the External Auditor comfort process.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) comes into effect for the Company's 2023 financial year. During the year, the Committee received several updates on the progress of the project to implement IFRS 17 and reviewed the detailed technical accounting papers prepared by management. The Committee challenged the significant judgements in the papers, particularly in relation to onerous contracts and fulfilment cash flows. The External Auditor also presented its views on the key judgements. The Bupa Group's final IFRS 17 policy will be approved during 2022.

IT general controls

Management have been undertaking a remediation programme to uplift information security and IT general controls for some time. KPMG's annual letter to management of observations arising from the 2020 audit, and internal audit reports, raised a number of points in relation to Bupa's IT control environment. The Committee noted that these were issues common to many companies and should be considered in the context of the improvements made to IT controls across the Group over several years. The Committee requested regular updates from management on IT general controls, setting out the planned activity to remediate the points raised and the timescale for completing this work. The first update was considered in September 2021 with good progress noted in embedding the IT general controls required under the Group's Technology Risk Policy and supporting standards, and the introduction of an IT general controls risk and control self-assessment process (RCSA). The Committee noted that the RCSA process had assisted management in assessing progress and noted that GIA had resource aligned with the Market Units and prioritised technology risks in its audit plan.

Impairments

Management's analysis of goodwill impairment assessments across the Group's cash-generating units (CGUs) was subject to enhanced scrutiny by the Committee again at half year 2021 and ahead of approval of the 2021 Annual Report. Particular focus was given to the impairment tests for UK Care Services, Bupa Dental Care UK, Bupa Chile and Bupa Villages and Aged Care Australia. The Committee agreed with management's assessment that no impairments are required for these CGUs.

Liaison with other Board Committees

The Committee has worked closely with the Bupa Risk Committee during the year, holding a joint meeting in early 2021 and one in early 2022 to consider an integrated assurance report giving the opinions of all three lines of defence on the Group's control environment in relation to the 2020 and 2021 financial years respectively. A further joint meeting was held in December 2021 and included a deep dive on material fraud risk and consideration of the aligned assurance plan for 2022 from the second and third lines of defence.

In early 2022, the Committee Chair attended a meeting of the Bupa Remuneration Committee to provide a view on the quality of Bupa's earnings in 2021 to aid the Bupa Remuneration Committee's decision on the appropriateness of the financial performance data used in connection with the calculation of the bonuses potentially payable under the incentive schemes within the Bupa Remuneration Committee's remit.

Significant issues and areas of judgement

Key issue	Committee response
Goodwill and intangible assets 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. The level of additional uncertainty presented by the pandemic has reduced from that at the prior period end for most businesses. However, the continued recovery from the pandemic and the uncertainty regarding any longer-term impact further increase 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 continued recovery from the pandemic for a number of the Group's businesses, both during the year and forecast through the 2022-2024 plan period, has been a key area of focus within management's analysis and judgements. Consistent with the prior 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 Committee considered the appropriateness of the overall level of insurance reserves held at key reporting dates. The Committee received a report from the Chief Actuary setting out estimates of the IFRS insurance reserves, including the consolidated margin of prudence, as well as the result of the annual review of compliance with Bupa's Claims Reserving and Liability Adequacy Standards. The Committee also took into consideration the External Auditor's report to the Committee. Throughout the year, the Committee was presented with a number of updates specifically focused on the judgements and calculations of the deferred claims provision estimates held in Australia and the return of premium provision held

Bupa continued to hold additional insurance reserves during the year where constructive obligations relating to the pandemic required such liabilities to be recognised. Where these exist, the amount and timing of in-scope deferred claims that are expected to rebound continue to be a key judgement.	in the UK. The Committee concluded that the best estimate insurance reserves held at 31 December 2021 were appropriate.
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 external valuations undertaken at least triennially. In valuing care home property, a judgement is made on the highest and best use of the property. The underlying assumptions involved in the valuations, including profitability, occupancy levels and capitalisation rates and discount rates, are subject to a high level of judgement.	The Committee received the results from the external valuations undertaken as part of the triennial property review, primarily across the Spanish properties, and also Directors' valuations performed in other Market Units. The Committee also reviewed reporting from the new External Auditor addressing the valuations to assess their reasonableness and considered the appropriateness of disclosures made. The Committee is satisfied that the revaluation exercise undertaken by management is sufficiently robust and that the resultant movements in fair value across the Group's property portfolio is appropriate.
Pension assets and liabilities Bupa's principal defined benefit scheme in the UK is The Bupa Pension Scheme. Significant judgement is exercised in determining the actuarial assumptions used in valuing the pension obligations, which include the discount rate, rates of inflation, salary increases and mortality.	The Committee reviewed the assumptions used in the valuation of the related pension assets and liabilities performed by the independent scheme actuary at both the half year and full year. The new External Auditor provided the Committee with benchmarking assessments across the assumptions used in the valuation of pensions liabilities. The Committee concluded that managements IAS 19 valuation exercise was sufficiency robust and prudent, with appropriate disclosure made within the financial statements.

Financial reporting

The Committee reviewed the half year and full year 2021 financial statements with both management and the External Auditor.

<u>Fair, balanced and understandable</u>

In assessing whether the 2021 Annual Report was fair, balanced and understandable, the Committee found as follows:

- The narrative reporting in the Strategic Report is consistent with the financial statements, providing challenge and feedback throughout the compilation of the 2021 Annual Report
- The key judgements referred to in the narrative reporting and the significant issues reported in this 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 are 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 2021 Annual Report
- The layout and presentation are clear with appropriate language used throughout.

<u>Going concern and longer-term viability</u>

Management presented their going concern assessment to the Committee ahead of the Board's approval of the Group's 2021 half year results and 2021 Annual Report. This included analysis of the impact of a number of stress scenarios and the Group's base plan for the period 2022-2024 and their impact on the Company's solvency, liquidity, borrowings and trading profitability. It further considered contingent liabilities, guarantees and commitments and the Group's current risk management policies and procedures. The Committee agreed with management's conclusion that in each plausible scenario the testing provided comfort that Bupa would remain a going concern.

Group Internal Audit (GIA)

The assurance provided by GIA is an important part of the Committee's consideration of Bupa's overall control environment. GIA's annual assurance plan is aligned with an assessment of risk across the Group and to the RMF. Further details on the role of GIA and its work during the year are available in the Bupa's system of governance section, and information on the Group's RMF can be found in the Risk section. During 2021, the Committee interaction with GIA included:

- Reviewing and approving GIA's risk-based 2022 Global Assurance Plan and budget (2022 Plan). The Committee was satisfied that GIA has the appropriate resources and ways of working to achieve its 2022 Plan
- Reviewing regular reports from the CAO covering GIA's progress towards completing its 2021 Global Assurance Plan, findings from GIA assurance activity and the effectiveness of management's actions in responding to these findings, and insights relating to root causes of findings and thematic issues which help the Committee to monitor the effectiveness of risk management and culture across the Group

- Reviewing the Group's integrated report on the ongoing effectiveness of Bupa's systems of internal control and risk management, including the CAO's opinion
- Assessing GIA's effectiveness, including through independent quality assurance. The latest assessment was provided in January 2022 and the Committee was satisfied that:
  - GIA has remained effective as Bupa's third-line function, providing appropriate assurance, evidenced by independent quality assurance programme, across the Group's key businesses
  - GIA's assurance work has appropriately informed the Committee's assessment of the Group's systems of risk management and control, and influenced improvements via management action
  - GIA generally conforms to the requirements of the Global Institute of Internal Auditors Standards and the UK Institute of Internal Auditors Financial Services Code.

GIA is appropriately structured, resourced, managed and positioned to operate as an effective third line function, as evidenced by its performance against an established balanced scorecard, including stakeholder and employee assessment.

Chief Audit Officer

The Committee is responsible for the appointment and removal of the CAO and, through the 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 Bupa 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 KPMG, the outgoing External Auditor, in conducting the audit of the 2020 Annual Report. The assessment was carried out using a questionnaire sent to Committee members and members of management. It 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 it was conducted through surveys sent to Committee members, the Group CEO, Group 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 complies with the relevant regulatory requirements 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 (up to their retirement as external auditor) and PwC as appropriate and was satisfied with management's actions to ensure the independence of both was preserved.

The Committee holds regular meetings with the lead audit partner without management present to ensure that they had the opportunity to raise any concerns, particularly in relation to each Annual Report and Solvency Financial Condition Report, and to assist the Committee in ensuring that the External Auditor remains independent and objective. In 2021, an additional private meeting was held with the lead audit partner of PwC to seek PwC's initial views as External Auditor. The Committee Chair held regular meetings with the lead audit partners of KPMG and PwC, as appropriate, throughout the year and the Committee received regular updates from both management and PwC on the transition to PwC as External Auditor. The lead audit partner from PwC attended Committee meetings from December 2020 and PwC undertook certain transition activities, including attending key governance meetings during the 2020 financial reporting process.

The Committee approved the external audit plan and audit fee for the audit of the 2021 Annual Report. The Committee will consider the effectiveness, independence, objectivity and the quality of service provided by PwC in Q2 2022 following completion of the 2021 year-end audit.

PwC provided external assurance in relation to the financial information published in connection with the bond issue which was completed in September 2021. For information on other non-audit services provided by PwC during the year see Note 2.3.3.

The Committee agreed with the FRC and PwC that the Bupa Group and the BGUK Market Unit would take part in an FRC pilot programme on engagement level audit quality indicators (AQIs), quantitative and qualitative metrics about the audit process used to provide more in-depth information about factors that influence external audit quality. The Committee agreed the AQIs with PwC in areas important to an effective audit, and updates on the AQIs have been reported by PwC to the Committee at meetings throughout the course of the audit. A final report will be provided to the Committee in Q2 2022. The FRC will hold feedback sessions with the Committee Chair and PwC. The output will help inform an FRC best practice guide on how to use AQIs.

The Committee has recommended to the Board that PwC be re-appointed as the Group's External Auditor at the 2022 AGM and confirms that the recommendation is free from influence by any third party, and that no contractual terms have been imposed on the Company restricting the AMs' choice of External Auditor. The Group intends to tender the External Auditor appointment at least every ten years. More information on the role of the External Auditor and how PwC maintains its independence from Bupa is set out in Bupa's system of governance section.

Subsidiary governance

Despite the pandemic preventing the Committee members from travelling during the year, links with the audit committees of Bupa's major insurance subsidiaries have been maintained through calls and virtual attendance as follows:

	Group to subsidiary	Subsidiary to Group
Bupa Insurance, UK	– Clare Thompson attended a meeting of the audit committee – Clare Thompson and Caroline Silver held calls with the finance director and internal audit director	– Paul Evans, a member of the Committee and chair of the Bupa Insurance, UK audit committee, provided regular updates to the Committee
Bupa Health Insurance, Australia	– Clare Thompson and Caroline Silver attended a meeting of the audit committee and held calls with the finance director, internal audit director and incoming audit chair	– the subsidiary committee chair attended a Committee meeting and provided an update
Sanitas de Seguros, Spain	– Clare Thompson met with the committee chair in December 2021 – Clare Thompson and Caroline Silver held calls with the chief financial officer and internal audit director	– the subsidiary committee chair attended a Committee meeting and provided an update – Matias Rodriguez Inciarte, a Committee member and a member of the Sanitas de Seguros audit committee, provided regular updates to the Committee
Bupa Chile		– the subsidiary committee chair attended a meeting and provided an update

The Committee also received summaries and minutes of the meetings of the major insurance subsidiary audit committee meetings that took place during the year.

Committee effectiveness review

Good progress has been made against the actions agreed from the 2020 internal evaluation of the Committee's effectiveness with the Committee overseeing a Finance Function change programme, the requested aligned assurance report from the three lines of defence on Bupa's control environment being implemented and a process established to improve the Committee's interaction with the Bupa Remuneration Committee for the year-end reward process. The quality of papers submitted to the Committee has shown some improvement following training provided by the Group Company Secretary's team to regular paper authors, although further improvements could be made.

The results of the internally facilitated review of the Committee's performance during 2021 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2022 included: further understanding the capabilities of Bupa's Finance Function, assessing the overall fit of Bupa's assurance functions and strengthening interaction with the audit committees of Bupa's major insurance subsidiaries.

Focus for 2022

During 2022, the Committee will focus on implementing IFRS 17 Insurance Contracts; further strengthening the Group's system of internal control; overseeing assurance over non-financial information, including sustainability and ESG disclosures; and the impact on Bupa of the outcome of the Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance when known.

Clare Thompson
Audit Committee Chair

Bupa 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 Bupa's risk appetite, reviewing the 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.

The Committee members are all independent NEDs whose collective experience and knowledge ensures that the Committee can provide the Bupa Board with ongoing risk management oversight and advice on strategic risk matters. Clare Thompson, Paul Evans, Michael Hawker and Caroline Silver 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 Mike are NEDs on the boards of the Group's Spanish insurance and Australian businesses respectively, while 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, while his recent experience in Saudi Arabia offers insight into one of Bupa's growth markets.

The Bupa Group CEO, Group 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. The Committee Chair is also a member of the Bupa Remuneration Committee, to assist with ensuring that risk management and culture are a factor in remuneration decisions. Each year, the Committee considers whether to make any recommendations to the Bupa Remuneration Committee on making risk adjustments to variable remuneration outcomes for that year. For 2021, having regard to the executive performance evaluation process in place, the Committee did not recommend any Group-wide adjustments to remuneration.

Key activities in 2021

Different risks pose a higher or lower threat to the performance and longer-term sustainability of our business at different times and the Committee adapts its focus accordingly to ensure that new and emerging risks are identified, that the profile of existing risks is monitored, and appropriate mitigating action is taken by management. This has been particularly important during 2021 with the continued impact of the pandemic and the fast pace of change throughout the business driven by our new 3x6 strategy. See the Risk section on page 17 for details of the principal risks to the Group.

<u>Risks to the 3x6 strategy</u>
Our new strategy is ambitious and requires Bupa to become more agile and move at pace to transform the business. The strategy has an impact on the Group's risk profile and the Committee is monitoring the emerging risks from the strategy and ensuring that management maintains a strong control environment. In particular, the impact of the strategy on information security, privacy, clinical and workforce risks is being monitored closely.

<u>COVID-19-related risks</u>
The CRO and CMO provided regular reports on the pandemic, Bupa's response and the pandemic's impact on the Group's risk profile. The Committee was satisfied that the Group's provision businesses had managed their clinical response to the pandemic well and had shared lessons learned from the first wave of the pandemic enabling them to be better prepared for subsequent waves and for potential similar events to occur in future. However, the pandemic continues to give rise to risks to our business through its impact on the economy, our people, our supply chains, the performance of our businesses and longer-term government and regulatory responses to the pandemic. The Committee is therefore closely monitoring these risks and management's response to them.

The Committee also carefully considered whether Bupa should mandate vaccination for all staff, discussing the legal, ethical and reputational issues and risks, and the need to balance the safety of customers with the right of individuals to choose whether, or not to be vaccinated. The Committee concluded that it was supportive of the approach taken by government vaccination programmes and it was appropriate to encourage and support our people to be vaccinated but not to mandate vaccination, unless this was a local legal or regulatory requirement for roles. Bupa encouraged all its employees to be vaccinated as soon as possible and worked to address vaccine hesitancy in staff, such as in UK Aged Care where vaccination was mandated by government.

<u>Environment and climate change risks</u>
Climate risk management has been integrated into Bupa's RMF and policies. During the year, the Committee has overseen the development of a climate change stress testing framework. Stress tests were performed on a range of climate-related scenarios including a longer-term scenario based on the PRA's 2021 Climate Biennial Exploratory Scenarios (CBES). These stress tests deepened the Committee's understanding of the Group's risk profile and will assist the Board in future strategic decision-making. The Committee has also considered the reputational risk from Bupa's ambitious target to be a net zero business by 2040.

<u>Information security, technology and operational resilience risks</u>
The Committee has continued to closely monitor technology, information security and privacy risk during the year 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 has also focused on the embedding of requirements under the Group's Operational Resilience Policy that came into force in January 2021. Operational resilience was identified as an increasing risk in light of the continued pandemic and the level of change required across the Group to achieve the new 3x6 strategy.

The Committee received regular updates from the Chief Information Officer on IT general controls, information security and operational resilience and the activities undertaken to further strengthen and embed the policies, controls and reporting that had been put in place. The Committee was pleased to note the increased transparency in the control environment through a Risks and Controls Self-Assessment Framework (RCSA), which had been key to mitigating information security and technology risks, and the identification by first-line management of technology risks to the new strategy, and that these were being addressed. Updates were also received on privacy risk, and the Committee discussed the need to proactively consider emerging privacy risks, such as around increased digitalisation of products and the use of artificial intelligence.

Clinical risks

Clinical risk is an operational risk that the Committee monitors closely to ensure that the risk of injury, loss or harm to customers is appropriately and effectively mitigated. This risk is not only relevant to our provision businesses, where we treat customers, but also to our health insurance businesses, which are working to improve the information received on the quality of care provided by third-party providers funded by our health insurance businesses. The Committee receives regular reports from the CMO including management information on incidents within our provision businesses and continuous improvements in clinical governance. The Clinical Governance Policy was further strengthened during the year and, at the Committee's request, the practices and outcomes considered to comprise good or excellent clinical governance have been documented to drive awareness and consistency of the standards of clinical governance expected across Bupa.

Aged care in Australia

Following the improvement programme in our Australian aged care business following the imposition of sanctions on a number of our care homes from the local aged care regulator in 2019 (which have now been resolved), the Committee has continued to monitor the business and has considered lessons that have been learned through the programme. It was pleased at the positive cultural change in the business and the improvements made to prevent similar issues arising again. The Committee received an update from management on the final report issued by the Royal Commission into Aged Care Quality and Safety and the actions being taken as a result. However, the availability, capability and remuneration of the workforce in this sector remains a key issue and could impact clinical risk. This continues to be monitored.

Liaison with other Committees

The Committee works closely with the Bupa Audit Committee, holding a joint meeting in December 2021 which included a deep dive on material fraud risk and consideration of the aligned assurance plan for 2022 from the second and third lines of defence. In early 2022 another joint meeting was held to consider an integrated assurance report giving the opinions of all three lines of defence on the Group's internal control environment in relation to the 2021 financial year.

In early 2022, the Committee Chair attended a meeting of the Bupa Remuneration Committee to provide a view on whether any Group-wide adjustments should be made to discretionary remuneration for risk factors during 2021, to aid the Bupa Remuneration Committee's decision on the appropriateness of the financial performance data used in connection with the calculation of the bonuses potentially payable under the incentive schemes within the Remuneration Committee's remit. No Group-wide adjustments were recommended.

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 Group's insurance cover; 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 Policies and risk appetite statements.

Subsidiary governance

During the year, the Committee has maintained links with Bupa's major insurance subsidiaries through: calls between the Committee Chair, Clare Thompson and the chief risk officers of each major insurance subsidiary; the chair of each of their board risk committees attending a meeting of the Committee; and providing an update on matters considered by their respective committees and the Committee Chair and Clare Thompson attending a meeting of the UK major insurance subsidiary board risk committee and the Committee Chair attending a meeting of the Australia major insurance subsidiary risk committee.

The Committee also received summaries and minutes of the meetings of the major insurance subsidiary risk committee meetings that took place during the year.

Committee effectiveness review

There has been good progress on the key themes identified in the 2020 internal review of the Committee's effectiveness with: regular discussions on the management of clinical risks with improved reporting from the CMO; approval of the revised Clinical Governance Policy; and enhancement to Bupa's approach to lessons learned from issues or incidents that occur to ensure that lessons are shared across the Group, including to different business lines. Lessons learned have been reviewed from a number of issues including the information security uplift programme and the issues previously experienced in Bupa Villages and Aged Care Australia. With the approval and implementation of the new 3x6 strategy, the Committee has had the risks arising from the strategy at the forefront of its mind and will continue to focus on them in 2022. Collaborative reporting from each of the three lines of defence concerning the assessment of the effectiveness of the Group's systems of internal control and risk management has been enhanced and is providing valuable insight to the Committee.

The results of the internally facilitated review of the Committee's performance during 2021 were discussed by the Bupa Board in December and the Committee was satisfied that it was operating effectively. The discussion drove identification of some of the key areas of focus for 2022 set out below.

Focus for 2022

In 2022, the Committee will continue to focus on:

- The impact of the 3x6 strategy on the Group’s risk profile
- Climate change risks to our health insurance and provision businesses and how management are addressing these
- Further strengthening clinical risk management
- Continuing our work on risk management maturity.

Other statutory information

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 have been in place throughout 2021 and to the date of this Annual Report.

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 qualifying third-party indemnity provisions or pension indemnity provisions in place.

Disclosure compliance

The Strategic Report and the audited financial statements are presented on pages 1-24 and from page 50, respectively. The Governance report on pages 25–41 comprises the Directors' report.

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 88
Risk management objectives and policies	Note 26 page 105
Likely future business developments	Strategic Report page 4
Acquisitions and disposals	Note 24 page 102
Financial performance	Page 5
Relationships with suppliers, customers, and others	Section 172 statement 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 includes information on the Directors' detailed assessment of the Group's status as a going concern.

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 new 3x6 Strategy introduced in early 2021 is the driving force behind Bupa's transformation agenda and planning process. Bupa chose a three-year assessment period because it ties in with the internal 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. Scenarios considered included a delay of six to nine months in the development of COVID-19 herd immunity following delayed vaccine roll outs and the emergence of vaccine-resistant variants; plus an additional 1% claims inflation for insurance businesses and 1% expense inflation for all businesses on top of base case expectations. This process shows the Group remains robust over the current three-year plan period, even under the stressed scenarios examined.

Bupa also conduct 'reverse stress testing' at the Group level which aims to identify hypothetical circumstances that might result in Bupa's business model failing and helps our Directors to better understand the Group's risks. The Group remains most exposed to failure through a lack of liquidity at the Group centre.

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 remaining £250m portion of the subordinated bond maturing in 2023 is repaid from available liquidity. The forecast also assumes that a £300m senior bond maturing in 2024 is refinanced with a similar instrument upon or before maturity. While this provides some uncertainty, there is a considerable period of time before maturity to plan for refinancing. The Group's liquidity position has also been considered under stressed scenarios. 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.

Bupa Group's most recent Own Risk and Solvency Assessment (ORSA), which brings together the outcomes of risk management and financial management processes, considers the level of regulatory capital required 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 which are aligned to the risk profile. This assessment concluded that we expect to have sufficient capital assets to continue to meet regulatory requirements over a three-year period.

Following a review of the key risks and uncertainties set out in the Risk section, 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 considered both current expectations, and reasonably plausible severe scenarios, including those arising from the further impact of COVID-19 on the Bupa Group. Whilst continuing uncertainty exists as a result of the ongoing pandemic, 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 has allowed for strong financial performance since the start of the pandemic and continues to support the viability of the 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 2024.

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 17. The Risk section also describes the Risk Management Framework, which sets out Bupa's process for the ongoing identification and management of these risks and emerging risks. This process has been in place throughout the year and to the date of this report and is regularly reviewed by the Bupa Risk Committee. 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 36 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 UK Corporate Governance Code, the Board completed an annual review of the Group's systems of risk management and internal controls in 2021, covering the Group's material controls including financial, operational and compliance, and the impact of COVID-19 on the control environment. This review took into consideration the work of the 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 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 2021. The Board recognised the progress made by Bupa, detailed in the Risk section on page 17, including resilience in dealing with COVID-19, and has concluded that Bupa has a sound system of risk management and internal control, with some weaknesses which are being addressed by management and monitored by the Risk and Audit Committees.

Political donations

Our policy is not to make donations to political parties or to independent election candidates. We confirm that we do not believe that we have made any political donations, nor incurred any political expenditure within the definition contained in Section 364 of the Companies Act 2006, during 2021.

Dividends

The Company paid an interim dividend of £52 million (2020: £175 million) during the year. No final dividend is proposed.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements, in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and the Parent Company financial statements in accordance with IFRS in conformity with the Companies Act 2006.

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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent 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
- State whether they have been prepared in accordance with IFRS as adopted by the UK
- Assess the Group and Parent 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 Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 the shareholder to assess the Group's position and performance, business model and strategy.

Governance

For the year ended 31 December 2021

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.

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

A resolution to re-appoint PricewaterhouseCoopers LLP as External Auditor will be put to the forthcoming AGM of the Company.

By order of the Board

James Lenton
Director
7 March 2022
Company number: 2779134

Independent auditors’ report to the members of Bupa Finance plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Bupa Finance plc’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2021 and of the Group’s profit and the Group’s cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors’ Report and Financial Statements (the “Annual Report”), which comprise:

- the Consolidated Statement of Financial Position and Company Balance Sheet as at 31 December 2021;
- the Consolidated Income Statement; the Consolidated Statement of Comprehensive Income; the Consolidated Statement of Cash Flows; and the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in Note 2.3.3, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Bupa Finance plc (Bupa Finance) is part of the Bupa Group, which is an international healthcare group, providing health insurance, health provision and aged care services. Bupa Finance is an intermediate holding company, providing financing and treasury management for the Bupa Group’s businesses and has issued listed debt as part of these activities. These financial statements are consolidated, incorporating the four reportable segments of the Bupa Group: Bupa Asia Pacific; Europe and Latin America; Bupa Global and UK; and Other businesses, which includes investments in associates.

The year ended 31 December 2021 is our first year as the external auditors of Bupa Finance and its subsidiaries (together “the Group”). Following the external audit tender in 2019, we undertook certain transition activities, including attending key governance meetings during the 2020 financial reporting process. In planning for our first year audit, we met with the Audit Committee and members of management across the Group to discuss and understand the businesses and any significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our understanding of the previous auditors’ approach, when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. Given the activities of the Group, we have built teams with the relevant industry experience in all significant locations in which the Group operates.

The COVID-19 pandemic has continued to have a significant global impact throughout 2021. In planning our audit, we have considered the impact of the pandemic on the Group’s business and the financial statements. Where necessary, we have utilised virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit evidence whilst working in this hybrid environment.

We have also considered the potential impact of climate change related factors in our audit, including challenging management on their assessment of how climate change related risks and opportunities impact the financial statements.

Independent auditors' report to the members of Bupa Finance plc

Overview

Audit scope

- The Group has four reportable segments, in addition to the Group Centre activities. Each reportable segment includes a number of reporting components across different locations and service lines.
- We conducted audit testing over 39 components. These were selected based on our assessment of inherent risk and their financial significance to the consolidated financial results.
- 20 components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions for a further 19 components.
- Our audit scope provided coverage of 99% of IFRS Profit before taxation expense.

Key audit matters

- Valuation of provisions arising from insurance contracts (Group)
- Impairment of goodwill (Group)
- Valuation of freehold property and investment property (Group)
- Recoverability of Company's investment in subsidiaries (Parent)

Materiality

- Overall group materiality: £26.9m based on 5% of Profit before taxation expense.
- Overall company materiality: £24.2m based on 1% of Total assets, capped at 90% of group materiality.
- Performance materiality: £20.2m (Group) and £18.1m (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of provisions arising from insurance contracts (Group) *Refer to Audit Committee Report, and Note 19.1 (for accounting policy and financial disclosures)* Provisions arising from insurance contracts comprises provisions for unearned premiums, provisions for claims and life insurance contract liabilities. We consider the valuation of the provisions for claims, including the deferred claims liability, and the return of premium provision within the provisions for unearned premiums, as key areas of audit focus given the magnitude and inherent uncertainty involved in these estimates. **Provisions for claims** £1,093m (2020: £1,083m) The calculation of the outstanding claims provision is based on certain key assumptions, including expected claims development patterns, a margin for prudence, claims inflation and expected trends in medical costs and treatments. The COVID-19 pandemic has disrupted the claims profile across the Group, increasing the level of judgement required to estimate claims provisions. **Deferred claims provision** £163m (2020: £171m) Government restrictions affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. In Australia, a deferred claims provision is held due to regulatory commitments which give rise to a constructive obligation to fund the deferred medical service, even if the service were to postdate a customer's contract period. This deferred claim provision is held on a best estimate basis (plus a margin for prudence) and represents the estimated cost of claims	The work performed to address the valuation of provisions for claims included the following procedures: ● Understood and evaluated the processes and controls in place to determine the provisions for claims; ● Tested the design and operating effectiveness of controls in place over provisions for claims, including those covering the approval of assumptions and completeness and accuracy of data used; ● Using our actuarial specialist team members, we: ○ Applied our industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practices; ○ Evaluated the key assumptions used in the valuation of provisions for claims for reasonableness compared to historic experience and the estimated impact of COVID-19; ○ Performed independent re-projections for a number of business units, comparing our estimated provisions to those booked by management, and investigated differences, where material; ○ Where independent projection was not performed, evaluated the methodology and assumptions applied by management, or performed a diagnostic check to identify and investigate any anomalies; ● Evaluated the methodology and assumptions used by management in calculating the deferred claims provision, including the assumed rebound factor applied, by comparison to experience to date and available market data; ● Assessed the appropriateness of management's methodology to calculate the return of premium in the UK and in particular challenged management on the critical

that are expected to rebound. The key assumption used to calculate the deferred claims provision is the rebound (or deferral) factor applied to the estimated claims shortfall. **Return of premium provision** £71m (2020: £145m) 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 COVID-19 pandemic to its policyholders by establishing a ‘return of premium’ provision within their provision for unearned premiums. The provision has been calculated based on estimating the ultimate net reduction in claims costs attributable to COVID-19, adjusted to take into account incremental costs and profit impacts attributable to COVID-19 and deducting the estimated costs of deferred claims expected to rebound. The return of premium provision has reduced during the period following settlements made to policyholders.	assumptions, tested the application of their methodology, performed sensitivity analysis on the calculations and tested payments made; ● Assessed whether the disclosures related to insurance contract liabilities, including the deferred claims provision and the return of premium provision, are compliant with the applicable financial reporting standards. Based on the procedures performed and the evidence obtained, we consider the valuation of the insurance contract liabilities to be appropriate.
Impairment of goodwill (Group) *Refer to Audit Committee Report and Note 3 (for accounting policy and financial disclosures)* Goodwill is initially recognised on business combinations and subsequently tested for impairment on an annual basis. The assessment of whether impairment losses should be recognised is based on calculating the recoverable amount for the related Cash Generating Unit (CGU), which is usually its value in use, determined by using discounted cash flow projections. Estimating and discounting the cash flow projections requires significant judgement. The key assumptions vary by CGU and include the discount rate, and the forecast cash flows including the impact of terminal growth rate, retention rates for dentists and occupancy levels. We identified the following CGUs as having a higher risk of impairment due to their lower headroom being the recoverable amount over carrying value, and sensitivity to alternative reasonable assumptions: ● Bupa Dental Care UK - Goodwill £467m (2020: £467m); ● Bupa Care Services UK - Goodwill £90m (2020: £90m); ● Bupa Chile - Goodwill £130m (2020: £152m); and ● Bupa Villages and Aged Care Australia - Goodwill £99m (2020: £111m). There is inherent uncertainty in estimating and discounting the cash flow projections, with a range of potential outcomes greater than our materiality from plausible alternative assumptions, some of which could result in impairment.	For goodwill impairment, we performed the following procedures: *Discount rates* ● Used our valuation experts to assess the appropriateness of management's methodology for computing the Weighted Average Cost of Capital used for discounting projected cash flows in the Value in Use calculation. ● For the four CGUs identified as having a higher risk of impairment, we used our valuation experts to independently compute the discount rates with reference to external comparable market information, compared the calculated rates to those used by management and investigated any differences. *Model integrity* ● Verified the discounted cash flow models including validating the numerical accuracy of and the mechanics of the models and the application of the discount rates. *Cash flows* ● Agreed cash flow forecasts to internal supporting documentation, including approved Business Plans. ● Compared cash flow forecasts used in the review to historical performance, and challenged where forecasts indicated performance that deviated significantly from historical performance. ● Challenged key assumptions in the cash flow projections, such as expected occupancy rates, clinician hours and dentist retention and the terminal growth rates applied, and obtained supporting internal or external information. ● Performed sensitivity analyses on the key assumptions. *Disclosure* ● Assessed the appropriateness of the relevant disclosures to confirm compliance with the applicable financial reporting standards. Based on the procedures performed and the evidence obtained, we consider the conclusion that no impairment of goodwill is required to be supportable.
Valuation of freehold property and investment property (Group) *Refer to Audit Committee Report and Notes 4 and 5 (for accounting policy and financial disclosures).* The Group holds freehold property (see Note 4 Property, plant and equipment) and investment property (see Note 5 Investment property). We consider the valuation of freehold property and investment property as key areas of audit focus given the magnitude and inherent uncertainty involved in these estimates. **Freehold property** Freehold properties of £2,248m (2020: £2,423m) comprise care homes, care villages, clinics, hospitals and offices across a number of locations.	For valuation of freehold property and investment property, we performed the following procedures: ● Assessed the appropriateness of the valuation methodology applied and whether this is in accordance with the requirements of the relevant standards; ● Obtained the most recent external valuation reports and critically assessed the qualifications and experience of the external valuers to determine whether they have the knowledge required to perform the valuations;

The properties are held under the revaluation model and are subject to periodic and at least triennial valuations performed by external independent valuers. The valuations are conducted by valuation experts and performed in accordance with relevant industry guidelines. The properties have been valued as fully equipped operational entities having regard to the trading potential reflecting the specialised nature of the facilities. A capitalised maintainable earnings or discounted cash flow model is used, assuming a reasonably efficient operator of the facility. The valuation is judgemental and involves estimation uncertainty. The significant assumptions include occupancy levels, estimated net earnings, capitalisation rates and discount rates. There is also judgement in the allocation of the fair value of the facility between its constituent parts, including the property. Where an external valuation has not been obtained, valuations are performed by the Directors to support the carrying value of the property. **Investment property** Investment properties of £666m (2020: £627m) relate predominantly to retirement villages in New Zealand. The properties are leased to third parties to generate rental income. The properties are held at fair value and subject to an independent external valuation annually. The valuation is based on discounted cash flow projections and uses subjective assumptions including the discount rate and expected rental yields.	● For both external and Directors' valuations, we challenged the key assumptions relating to operating cash flows, such as occupancy rates and discount rates, as well as reviewing capitalisation rates and the useful lives of existing facilities. In critically assessing the key assumptions, we have utilised our own valuation experts, and considered external benchmarks and forecasts as well as reports from external chartered surveyors; ● For Directors' valuations, we have also challenged adjustments to the valuation model, with reference to the most recent external valuation obtained; and ● Assessed whether the disclosures in relation to the valuation of freehold and investment properties are compliant with the relevant financial reporting requirements. Based on the procedures performed and the evidence obtained, we consider the valuation of freehold property and investment property to be appropriate.
Recoverability of Company's investment in subsidiaries (Parent) *Refer to Audit Committee Report, Company accounting policy (j) and Note C (for financial disclosures).* The Company holds investments in subsidiaries with a carrying value of £4,961m (2020: £5,951m). For certain entities, the carrying amount of the investment exceeds the investee's net assets, including associated goodwill. This gives rise to an indicator of impairment. To determine if an impairment is required, management compares the carrying value to a recoverable amount, based on discounting estimated future cashflows from board approved budgets. There is inherent uncertainty in forecasting trading conditions and discounting the future cash flows used in the budgets, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	We performed the following procedures related to the recoverability of the Company's investment in subsidiaries: ● Assessed the reasonableness and appropriateness of the assumptions used in the cash flows included in the budgets based on our knowledge of the entities, the markets in which the subsidiaries operate and cash flow forecasts used elsewhere, for example in the goodwill impairment testing; ● Assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts and agreeing cash flow forecasts to internal supporting documentation, including approved Business Plans; ● Reviewed the methodology used in determining the discount rate applied, including engaging our valuation experts to assess the appropriateness of the inputs into the discount rate; and ● Assessed the adequacy of the Company's disclosures in respect of the associated impairment. Based on the work performed and the evidence obtained, we consider the carrying amount of the Company's investment in subsidiaries to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

For the Group audit we defined a component as being a single reporting pack within the Group's consolidation process. Based on the output of our risk assessment, along with our understanding of the Bupa Group structure, we identified 20 components for which a full scope audit of their financial information has been performed. This was determined by assessing those components considered to be financially significant and with reference to our risk assessment.

We identified a further 19 components where specific audit procedures were performed on certain balances and transactions to provide sufficient and appropriate audit coverage over individual financial statement line items.

The components where we performed audit procedures included some operating in each of the Group's Market Units and covered over 91% of Group Revenue, 99% of Group Profit before taxation expense and 85% of Group Total assets.

We also performed audit procedures over the Group Centre functions, including the consolidation process and certain treasury and payroll processes.

For the remaining components we performed analysis to assess whether our planning assumption that there was no risk of material misstatement remained appropriate.

As the Group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued Group instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Held a global planning workshop with in scope components;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewed component team detailed working papers, where relevant.

Due to the impact of COVID-19, we were unable to visit overseas component teams in person. However we performed a detailed review of key audit working papers at all in-scope components remotely.

For the Company audit, based on the outputs of our risk assessment, we identified one financially significant component being the holding company operations.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	**Financial statements - Company**
Overall materiality	£26.9m	£24.2m
How we determined it	5% of Profit before taxation expense	1% of Total assets capped at 90% of group materiality
Rationale for benchmark applied	In determining our materiality, we have considered the financial metrics which we believed to be relevant, and concluded that Group Profit before taxation expense was the most appropriate benchmark. The Group is profit-orientated and Profit before taxation expense is a key performance metric used by the Directors' and other users of the financial statements.	In determining our materiality, we considered the financial metrics which we believed to be relevant and concluded that Total assets was the most appropriate benchmark. We have applied a 90% cap of group materiality given the shareholders are a key user of the consolidated financial statements and we therefore consider this to be a level which they would consider material.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1.3m to £17.3m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £20.2m for the Group financial statements and £18.1m for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2m (Group audit) and £1.1m (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' going concern assessment and challenging the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering management's assessment of the Bupa Group's regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessment of the impact of severe, but plausible, downside scenarios;
- Assessing liquidity of the Group and Company, including the Group's ability to pay customers, suppliers and creditors as amounts fall due;
- Assessing the ability of the Group to comply with covenants;
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including attendance at all Group Audit Committee and Group Risk Committee meetings; and
- Reviewing the disclosures included in the financial statements in relation to going concern, including the Basis of Preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Corporate governance statement

ISAs (UK) require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to certain Group activities where non-compliance with the related laws and regulations could result in fines or litigation, or loss of the Group's licence to operate. We consider the areas most likely to have such an effect would be in relation to financial conduct regulation, healthcare provision conduct regulation and regulatory capital and liquidity requirements. In addition, risks arise from the Group's required compliance with related taxation legislation (including VAT and payroll taxes) and the requirements of the FCA Handbook in relation to its listed debt and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements, including those shown in our Key Audit Matters. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group and Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the relevant regulators in all significant locations, including the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority in the UK;
- Reviewing relevant meeting minutes including those of the Board of Directors, Remuneration and Disclosure Committees and attending all Audit Committee and Risk Committee meetings;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Testing transactions entered into outside of the normal course of the Group and Company's business; and
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and Chief Medical Officer's Reports in so far as they related to non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

Bupa Finance has voluntarily adopted Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, and these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2022

Consolidated Income Statement
for the year ended 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Revenues			
Gross insurance premiums	2.1	**9,227**	8,908
Premiums ceded to reinsurers	2.1	**(102)**	(95)
Net insurance premiums earned		**9,125**	8,813
Care, health and other customer contract revenue	2.1	**3,699**	3,230
Other revenue	2.1	**79**	99
Total revenues		**12,903**	12,142
Claims and expenses			
Insurance claims incurred	2.2	**(7,294)**	(6,712)
Reinsurers' share of claims incurred	2.2	**79**	57
Net insurance claims incurred		**(7,215)**	(6,655)
Share of post-taxation results of equity accounted investments	6	**42**	56
Impairment of goodwill and intangible assets	3	**(27)**	(18)
Other operating expenses	2.3	**(5,123)**	(4,933)
Other income and charges	2.4	**49**	1
Total claims and expenses		**(12,274)**	(11,549)
Profit before financial income and expense		**629**	593
Financial income and expense			
Financial income	2.5	**97**	92
Financial expense	2.5	**(185)**	(182)
Net impairment loss on financial assets		**(4)**	(15)
Net financial expense		**(92)**	(105)
Profit before taxation expense		**537**	488
Taxation expense	2.6	**(99)**	(112)
Profit for the year		**438**	376
Attributable to:			
Shareholder of Bupa Finance plc		**435**	374
Non-controlling interests		**3**	2
Profit for the year		**438**	376

1. Refer to note 1.5 for details of the restatements.

Notes 1-29 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	**2021 £m**	2020 restated[1] £m
Profit for the year		**438**	376
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Unrealised losses on revaluation of property	4	**(26)**	(5)
Remeasurement gains/(losses) on pension schemes	7	**4**	(5)
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**5**	5
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	**(126)**	63
Other foreign exchange translation differences		**(240)**	39
Net gain/(loss) on hedge of net investment in overseas subsidiary companies		**62**	(62)
Share of other comprehensive income of equity accounted investments		**6**	13
Change in fair value of financial investments through other comprehensive income		**(6)**	7
Realised loss on disposal of financial investments at fair value through other comprehensive income		**1**	-
Change in cash flow hedge reserve		**(21)**	-
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**-**	2
Total other comprehensive (expense)/income		**(341)**	57
Comprehensive income for the year		**97**	433
Attributable to:			
Shareholder of Bupa Finance plc		**97**	431
Non-controlling interests		**-**	2
Comprehensive income for the year		**97**	433

1. Refer to note 1.5 for details of the restatements.

Notes 1-29 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2021

	Note	**2021 £m**	2020 restated[1] £m
Assets			
Goodwill and intangible assets	3	**3,493**	3,806
Property, plant and equipment	4	**3,793**	4,115
Investment property	5	**666**	627
Equity accounted investments	6	**905**	868
Post-employment benefit net assets	7	**1**	1
Restricted assets	8	**158**	149
Financial investments	9	**2,911**	2,865
Derivative assets	10	**41**	61
Deferred taxation assets	11	**89**	49
Current taxation assets		**15**	9
Assets arising from insurance business	12	**1,374**	1,345
Inventories	13	**93**	126
Trade and other receivables	14	**618**	603
Cash and cash equivalents	15	**1,739**	1,706
Assets held for sale	16	**38**	8
Total assets		**15,934**	16,338
Liabilities			
Subordinated liabilities	17	**(997)**	(1,247)
Other interest-bearing liabilities	17	**(822)**	(1,191)
Lease liabilities	18	**(915)**	(1,010)
Post-employment benefit net liabilities	7	**(9)**	(12)
Provisions arising from insurance contracts	19.1	**(3,233)**	(3,212)
Derivative liabilities	10	**(35)**	(77)
Provisions for liabilities and charges	20	**(270)**	(273)
Deferred taxation liabilities	11	**(171)**	(169)
Current taxation liabilities		**(55)**	(134)
Other liabilities arising from insurance business	19.2	**(213)**	(162)
Trade and other payables	21	**(2,170)**	(2,151)
Liabilities associated with assets held for sale	16	**(4)**	(1)
Total liabilities		**(8,894)**	(9,639)
Net assets		**7,040**	6,699
Equity			
Share capital	23	**200**	200
Property revaluation reserve		**655**	699
Income and expenditure reserve		**5,884**	5,498
Cash flow hedge reserve		**-**	21
Foreign exchange translation reserve		**(13)**	263
Equity attributable to shareholder of Bupa Finance plc		**6,726**	6,681
Restricted Tier 1 notes	22	**297**	-
Non-controlling interests	29	**17**	18
Total equity		**7,040**	6,699

1. Refer to note 1.5 for details of the restatements.

Approved by the Board of Directors and signed on its behalf on 7 March 2022 by

James Lenton

Director

Notes 1-29 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Operating activities			
Profit before taxation expense[1]		**537**	488
Adjustments for:			
Net financial expense[1]		**92**	105
Depreciation, amortisation and impairment[1]		**506**	498
Other non-cash items[1]		**(128)**	(90)
Changes in working capital and provisions:			
Increase in provisions and other liabilities arising from insurance contracts		**238**	442
(Increase)/decrease in assets arising from insurance business		**(73)**	16
Funded pension scheme employer contributions		**(1)**	(1)
(Increase)/decrease in trade and other receivables, and other assets		**(29)**	35
(Decrease)/Increase in trade and other payables, and other liabilities[1]		**21**	163
Cash generated from operations		**1,163**	1,656
Income taxation paid		**(215)**	(153)
Increase in cash held in restricted assets	8	**(9)**	(32)
Net cash generated from operating activities		**939**	1,471
Cash flow from investing activities			
Acquisition of subsidiary companies, net of cash acquired		**(19)**	(25)
Investment in equity accounted investments	6	**(14)**	(109)
Dividends received from associates		**34**	-
Disposal of subsidiary companies and other businesses, net of cash disposed of		**104**	-
Divestment in equity accounted investments		**7**	-
Purchase of intangible assets[1]	3	**(88)**	(107)
Purchase of property, plant and equipment	4	**(193)**	(176)
Proceeds from sale of property, plant and equipment		**18**	99
Purchase of investment property	5	**(37)**	(59)
Disposal of investment property		**-**	1
Purchases of financial investments, excluding deposits with credit institutions[1]		**(1,070)**	(1,609)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**750**	1,302
Net withdrawals from/(investments into) deposits with credit institutions		**231**	(224)
Interest received		**62**	51
Net cash used in investing activities		**(215)**	(856)
Cash flow from financing activities			
Proceeds from issue of Restricted Tier 1 notes	22	**297**	-
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		**391**	648
Repayment of interest-bearing liabilities and other borrowings		**(983)**	(578)
Principal repayment of lease liabilities		**(130)**	(126)
Repayment of interest on lease liabilities		**(47)**	(54)
Interest paid[1]	17	**(83)**	(103)
Net receipts on settlement of hedging instruments		**8**	4
Dividends paid[3]		**(52)**	(175)
Dividends paid to non-controlling interests		**(1)**	(1)
Net cash used in financing activities		**(600)**	(385)
Net increase in cash and cash equivalents		**124**	230
Cash and cash equivalents at beginning of year		**1,705**	1,451
Effect of exchange rate changes		**(91)**	24
Cash and cash equivalents at end of year[4]	15	**1,738**	1,705

1. Refer to note 1.5 for details of the restatements.
2. Includes other bank fees and charges of £2m (2020: £3m).
3. Dividends paid of £175m for year ended 31 December 2020 have been reclassified from net cash used in investing activities to net cash used in financing activities.
4. Includes bank overdrafts of £1m (2020: £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 (2020: £nil).

Notes 1-29 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Note	Share capital	Property revaluation reserve	Income and expenditure reserve	Cash flow hedge reserve	Foreign exchange translation reserve	Total attributable to shareholder of Bupa Finance plc	Restricted Tier 1 notes	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2021										
Balance as at 1 January 2021		**200**	**699**	**5,498**	**21**	**263**	**6,681**	**-**	**18**	**6,699**
Profit for the year		**-**	**-**	**435**	**-**	**-**	**435**	**-**	**3**	**438**
Other comprehensive income/(expense)										
Unrealised loss on revaluation of property	4	**-**	**(26)**	**-**	**-**	**-**	**(26)**	**-**	**-**	**(26)**
Realised revaluation profit on disposal of property		**-**	**(4)**	**4**	**-**	**-**	**-**	**-**	**-**	**-**
Remeasurement gain on pension schemes	7	**-**	**-**	**4**	**-**	**-**	**4**	**-**	**-**	**4**
Foreign exchange translation differences on goodwill	3	**-**	**-**	**-**	**-**	**(126)**	**(126)**			**(126)**
Other foreign exchange translation differences		**-**	**(20)**	**(6)**	**-**	**(211)**	**(237)**	**-**	**(3)**	**(240)**
Net gain on hedge of net investment in overseas subsidiary companies		**-**	**-**	**-**	**-**	**62**	**62**	**-**	**-**	**62**
Share of other comprehensive income of equity accounted investments		**-**	**-**	**6**	**-**	**-**	**6**	**-**	**-**	**6**
Change in fair value of financial investments through other comprehensive income		**-**	**-**	**(6)**	**-**	**-**	**(6)**	**-**	**-**	**(6)**
Realised loss on disposal of financial investments at fair value through other comprehensive income		**-**	**-**	**1**	**-**	**-**	**1**	**-**	**-**	**1**
Change in cash flow hedge reserve		**-**	**-**	**-**	**(21)**	**-**	**(21)**	**-**	**-**	**(21)**
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	2.6	**-**	**6**	**-**	**-**	**(1)**	**5**	**-**	**-**	**5**
Other comprehensive (expense)/income for the year, net of taxation		**-**	**(44)**	**3**	**(21)**	**(276)**	**(338)**	**-**	**(3)**	**(341)**
Total comprehensive (expense)/income for the year		**-**	**(44)**	**438**	**(21)**	**(276)**	**97**	**-**	**-**	**97**
Issue of Restricted Tier 1 notes	22	**-**	**-**	**-**	**-**	**-**	**-**	**297**	**-**	**297**
Dividends to equity holder of the Company		**-**	**-**	**(52)**	**-**	**-**	**(52)**	**-**	**-**	**(52)**
Dividends paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Balance as at 31 December 2021		**200**	**655**	**5,884**	**-**	**(13)**	**6,726**	**297**	**17**	**7,040**

Notes 1-29 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2021

	Note	Share capital £m	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	Non-controlling interests £m	Total equity £m
2020									
Balance as at 1 January 2020, as previously reported		200	692	5,310	21	237	6,460	17	6,477
Opening balance adjustments[1]		-	-	(35)	-	-	(35)	-	(35)
Balance as at 1 January 2020, as restated		200	692	5,275	21	237	6,425	17	6,442
Profit for the year[1]		-	-	374	-	-	374	2	376
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)	-	24	39	-	39
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	-	26	57	-	57
Total comprehensive income for the year		-	7	398	-	26	431	2	433
Dividends to equity holder of the Company		-	-	(175)	-	-	(175)	-	(175)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(1)	(1)
Balance as at 31 December 2020		200	699	5,498	21	263	6,681	18	6,699

1. Refer to note 1.5 for details of the restatements.

Notes 1-29 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

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').

Both the Company Financial Statements and the Group's Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006. The change, on 1 January 2021, from International Financial Reporting Standards (IFRS) as adopted in the European Union, to UK-adopted IFRS, was a change in accounting framework, in line with the requirements of UK company law, not a change in accounting policy. There was no impact on recognition, measurement or disclosure from this change in framework.

The financial statements were approved by the Board of Directors on 7 March 2022. The Directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, unless otherwise stated.

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 2021 comprise those of the Company and its subsidiary companies and the share of results of equity accounted investments.

Subsidiaries are those entities over which the Group has control. The Group controls an entity when it has power over it, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group considers all relevant facts and circumstances when determining whether control exists and makes a reassessment whenever those facts and circumstances change.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences to the date that control ceases. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group applies the purchase method in accounting for business combinations. The Group recognises identifiable assets, liabilities and contingent liabilities at fair value, and any non-controlling interests in the acquiree. 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). Functional currencies are identified at a 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.

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	Details	Note
Goodwill and intangible assets	Goodwill and intangible assets are recognised on acquired businesses based on fair values at the date of acquisition. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis, or when there are indicators of impairment. Other intangible assets are tested for impairment when there are indicators of impairment. **Sources of estimation uncertainty** Annual impairment tests include a number of sources of estimation uncertainty as the key assumptions used when modelling the recoverable amount include estimating the discount rate, terminal growth rate and the forecast cash flows. Estimation uncertainties within these cash flows vary by CGU. For aged care this includes occupancy rates, fee rates, staff costs and operating expenses; for provision business, available clinician hours, fee rates and operating expenses; and for insurance business, future insurance premium rises, claims volatility and claims inflation. The Group is still navigating the medium to long-term impact of COVID-19 across the different business lines and as such there is significant estimation uncertainty in the above assumptions. This includes the impact of the timing of the recovery of business cash flows as well as determining appropriate discount rates and terminal growth rates in light of associated market volatility. During 2021 a change has been made to the estimation technique used for modelling forecast cash flows to remove the financing costs from future lease cash flows. This has not impacted the carrying value of goodwill and intangible assets in the current or prior year. **Accounting judgements** Judgement is applied to determine whether there is an indication of impairment to intangible assets. In making this judgement, the Group considers current trading and future plans associated with each of the assets in order to assess whether a full impairment assessment is required.	3
Property valuations	The Group has a significant portfolio of care home, hospital and office properties. These are subject to periodic and at least triennial valuations performed by external independent valuers, with directors' valuations performed in intervening years. **Sources of estimation uncertainty** Significant assumptions for freehold properties are normalised earnings, average occupancy and capitalisation rates, whereas for investment property key assumptions are discount and capital growth rates. **Accounting judgements** In valuing care home property, a judgement is made on the highest and best use of the property. In the majority of cases this leads to the property being valued as part of a group of assets making up a going-concern business using market-based assumptions. The business is valued on a fair maintainable trade basis with the fair value thus calculated being allocated to plant and equipment and bed licences where applicable at net book value (as a proxy for fair value), with the residual value being allocated to property.	4,5
Claims provisioning	Estimates included in the provisions arising from insurance contracts include expected claims payments and expenses required to settle existing insurance contract obligations. A deferred claim provision continues to be held within the outstanding claims provision in respect of 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, triggering a constructive obligation for the Group to pay claims in relation to the disrupted business. The provision has been calculated based on the central estimate of the present value of expected future payments required to settle claims deferred as a result of COVID-19 restrictions, together with related claims handling costs and an additional risk margin. **Sources of estimation uncertainty** 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 respect of the deferred claim provision significant assumptions include forecasting the insurance claims that remain deferred at the reporting date following periods of significant COVID-19 disruption and the percentage of those claims which are likely to rebound in future.	19
Unearned premium provisioning	The unearned premium provision includes a return of premium provision in respect of the UK Private Medical Insurance (PMI) business. In April 2020, Bupa Insurance Limited made a pledge to pass back to customers any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19. The provision has been calculated based on estimating the ultimate net reduction in claims costs attributable to COVID-19, adjusted to take into account incremental costs and profit impacts attributable to COVID-19, and deducting the estimated costs of deferred claims expected to rebound and COVID-19 related claims inflation. **Sources of estimation uncertainty** Significant assumptions include forecasting the insurance claims that remain deferred at the reporting date following COVID-19 disruption, including the timing and amount of claims that are expected to rebound and in calculating the exceptional financial benefits that are expected to be experienced by the business, including the identification of incremental costs and profit impacts attributable to COVID-19.	19

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 scenario-based stress testing and reverse stress testing, 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 liquidity, regulatory solvency, access to funding and trading profitability over the next 12 months.

The assessment identified the risks and uncertainties most likely to impact the Group and considered the impact to the Group's businesses under a number of reasonably plausible severe scenarios. Scenarios considered included a delay of six to nine months in the development of COVID-19 herd immunity following delayed vaccine roll outs and the emergence of vaccine-resistant variants; and an additional 1% claims inflation for insurance businesses and 1% expense inflation for all businesses on top of base case expectations. Under such scenarios, significant short-term reductions in profitability arise, however the Group would still remain within its risk appetites for liquidity and regulatory solvency. Additionally, the Group has access to a £900m revolving credit facility (RCF) as described in note 17(c). The Group expects to remain compliant with the RCF's covenants under stressed scenarios and may further draw down on the RCF in order to meet liquidity needs. Additional management actions would allow downside impacts to be further mitigated by reducing expenditure, obtaining additional funding or divesting investments or businesses.

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 3-24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 8-11. The Directors' assessment of the Group's longer-term viability over a three-year period is described on pages 39-40.

1.5 Restatements and changes in accounting policies

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

The impacts of the restatements to the published 31 December 2020 figures and at 1 January 2020 are set out below:

31 December 2020	As published £m	Restatements £m	As restated £m
Total revenues	12,118	24	**12,142**
Total claims and expenses	(11,537)	(12)	**(11,549)**
Net financial expense	(79)	(26)	**(105)**
Taxation expense	(117)	5	**(112)**
Total impact on profit for the year		(9)	
Goodwill and intangible assets	3,820	(14)	**3,806**
Provisions for liabilities and charges	(222)	(51)	**(273)**
Deferred taxation liabilities	(187)	18	**(169)**
Total impact on net assets		(47)	
Income and expenditure reserve	5,542	(44)	**5,498**
Foreign exchange translation reserve	266	(3)	**263**
Total impact on equity		(47)	

1 January 2020	As published £m	Restatements £m	As restated £m
Goodwill and intangible assets	3,786	(10)	**3,776**
Provisions for liabilities and charges	(176)	(38)	**(214)**
Deferred taxation liabilities	(277)	13	**(264)**
Total impact on net assets		(35)	
Income and expenditure reserve	5,310	(35)	**5,275**
Total impact on equity		(35)	

(a) Underpayment of employee entitlements

During the year, the Group has been able to quantify historical underpayments of employee entitlements affecting some current and former employees, following an extensive proactive pay compliance review carried out in Australia and New Zealand. Comparative periods have been restated resulting in the impacts shown in the table below.

	31 December 2020 £m
Opening income and expenditure reserve	(27)
Other operating expenses – employee costs (note 2.3)	(8)
Financial expense (note 2.5)	(2)
Taxation expense (note 2.6)	4
Total impact on profit for the year	(6)
Closing income and expenditure reserve	(33)
Foreign exchange movement in the period	(3)
Total impact on equity	(36)

	31 December 2020 £m
Provisions for liabilities and charges	(51)
Deferred taxation liabilities	15
Total impact on net assets	(36)

As at 31 December 2021 the Group is holding a provision of £62m (2020: £51m) in respect of future remediation payments. Refer to note 20 for further details.

(b) Refundable Accommodation Deposits (RADs)

The Group receives interest-free RADs in respect of payments for aged care units in Bupa Villages and Aged Care Australia. Revenue is recognised for the imputed interest on RADs, reflecting the Group's position as lessor. The Group has determined that the use of the Maximum Permissible Interest Rate (MPIR) is most appropriate to determine the imputed revenue and interest amounts. The MPIR is a rate set by the Australian Government and is used to calculate the Daily Accommodation Payment to applicable residents. Previously the Group used the overnight funding rate to determine imputed revenue and interest.

The impact of this change in measurement is shown in the table below. Comparative periods have been restated for the change.

	31 December 2020 £m
Other revenue (note 2.1)	24
Financial expense (note 2.5)	(24)
Total impact on profit for the year	-

(c) Market Unit restructure

In 2021, the Group announced an update to the organisational structure transferring Bupa Hong Kong from Other businesses into the Australia and New Zealand Market Unit to form Bupa Asia Pacific. 2020 results by operating segment have been restated to reflect this change. The amounts related to Bupa Hong Kong which have been restated between segments are shown below.

	Bupa Hong Kong 31 December 2020 £m
Gross insurance premiums	382
Premiums ceded to reinsurers	(3)
Internal reinsurance	(48)
Net insurance premiums earned	331
Care, health and other customer contract revenue	151
Other revenue	6
Total revenues for reportable segments	488

	Bupa Hong Kong 31 December 2020 £m
Underlying profit for reportable segments	6
Non-underlying items:	
Impairments of intangible assets and goodwill arising on business combinations	(11)

The restructure had no impact to the Consolidated Statement of Financial Position or Consolidated Income Statement.

(d) IFRS Interpretations Committee decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)'

In April 2021, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)'. This agenda decision considered how an entity should account for configuration and customisation costs incurred in implementing a Software as a Service (SaaS) arrangement. The IFRS IC concluded that such costs should be expensed unless the criteria for recognising a separate asset are met. The Group has reviewed the historic capitalisation of SaaS costs which has led to certain assets being derecognised where capitalisation is judged to have been non-compliant with the new guidance. The impact of this agenda decision has been recognised on a fully retrospective basis resulting in the impacts shown below. Comparative periods have been restated to reflect the change in accounting policy resulting from the new guidance.

	31 December 2020 £m
Opening income and expenditure reserve	(8)
Other operating expenses – depreciation (note 2.3)	3
Other operating expenses – other (note 2.3)	(7)
Taxation expense	1
Total impact on profit for the year	(3)
Closing income and expenditure reserve	(11)
Total impact on equity	(11)

	31 December 2020 £m
Goodwill and intangible assets	(14)
Deferred taxation liabilities	3
Total impact on net assets	(11)

(e) Financial asset classification

Following an internal review of financial asset classification, as at 31 December 2020, £169m of assets have been restated from deposits with credit institutions at amortised cost to corporate debt securities and secured loans at amortised cost. In addition, £186m of deposits with credit institutions and £14m of cash and cash equivalents have been restated from BB+ and below (below investment grade) to AA- to AA+.

These restatements had no impact to the Consolidated Statement of Financial Position.

(f) IFRS 9, IAS 39, IFRS 7 and IFRS 16 interest rate benchmark reform

In response to reforms of benchmark interest rates, 'Interest Rate Benchmark Reform - Phase 2' 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; and hedge accounting. These amendments were effective from 1 January 2021. The Group has made use of exemptions provided by the amendments in relation to financial instruments and hedge accounting and there was no recognition or measurement impact as a result of eligible transition activity. The amendments also require additional disclosures related to interest rate benchmark reform. These disclosures are provided in note 26.2.3. No restatements were required as a result of adopting these amendments.

(g) Other

A number of other amended standards and interpretations became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

1.6 Forthcoming financial reporting requirements

A number of financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2021 and have not been early adopted by the Group. These include:

(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. Under the general measurement model, 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 eligible 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.

In December 2021 the IASB issued ‘Initial Application of IFRS 17 and IFRS 9 – Comparative Information’, providing a transition option for entities initially adopting IFRS 17 and IFRS 9 Financial Instruments at the same time. As Bupa has already adopted IFRS 9 the amendment is not expected to have any impact on the Group.

(b) IAS 1 amendments
In February 2021, the IASB issued ‘Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)’ to help improve accounting policy disclosures for the primary users of financial statements. Entities must disclose material accounting policies, rather than the current requirement to disclose significant accounting policies, and the concept of materiality in the context of accounting policies is further defined. The amendments are effective from 1 January 2023. These amendments are expected to impact Group disclosures but have no impact on recognition or measurement.

(c) IAS 8 amendments
‘Definition of Accounting Estimates (Amendments to IAS 8)’ was issued by the IASB in February 2021. The amendments introduce the definition of accounting estimates and include further amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective from 1 January 2023. These amendments are not expected to have a material impact on the Group.

(d) IAS 12 amendments
In May 2021 the IASB issued ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)’ removing an existing deferred tax recognition exemption for transactions that give rise to equal taxable and deductible temporary differences on initial recognition. A lessee’s recognition of assets and liabilities on inception of a lease is potentially such a transaction, depending on applicable tax law. The amendments are effective from 1 January 2023. These amendments are not expected to have a material impact on the Group.

(e) Other
A number of other amendments to standards and interpretations have been issued and are not yet effective for the year ended 31 December 2021. None of these is expected to have a material impact on the Group.

2 Operating segments

The organisational structure of the Group is managed through three Market Units based on geographic locations and customers. The Group announced an update to the organisational structure in 2021, with the incorporation of Bupa Hong Kong into the previous Australia and New Zealand Market Unit to form Bupa Asia Pacific. The three Market Units are now Bupa Asia Pacific; 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 China and the Group's associate investments, Bupa Arabia and Niva Bupa are reported within Other businesses. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Comparative information has been restated to reflect the change in organisational structure. Refer to note 1.5 for further details.

Reportable segments	Services and products
Bupa Asia Pacific	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, respite care and residential villages.
	Bupa Villages and Aged Care New Zealand: Nursing, residential, respite care and residential villages.
	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.
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.
	Associate: Highway to Health (United States of America) (operating as GeoBlue).
Other businesses	Bupa China: Clinical services.
	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Niva 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 – these 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 – 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 – 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. This includes items such as restructuring costs and profit or loss amounts related to changes to strategic investments.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2021

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

(i) Revenues

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated[1,2] £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 restated[1] £m	2021 £m	2020 restated[2] £m
Gross insurance premiums	**4,241**	4,050	**2,663**	2,658	**2,323**	2,200	**-**	-	**9,227**	8,908
Premiums ceded to reinsurers	**(5)**	(3)	**(22)**	(24)	**(75)**	(68)	**-**	-	**(102)**	(95)
Internal reinsurance	**(53)**	(48)	**-**	-	**53**	48	**-**	-	**-**	-
Net insurance premiums earned	**4,183**	3,999	**2,641**	2,634	**2,301**	2,180	**-**	-	**9,125**	8,813
Care, health and other customer contract revenue	**1,264**	1,174	**1,354**	1,124	**1,081**	932	**-**	-	**3,699**	3,230
Other revenue	**51**	76	**9**	7	**14**	10	**5**	6	**79**	99
Total revenues for reportable segments	**5,498**	5,249	**4,004**	3,765	**3,396**	3,122	**5**	6	**12,903**	12,142
Consolidated total revenues									**12,903**	12,142

1. 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit. Refer to note 1.5c for details of the restatement.
2. Refer to note 1.5b for details of the restatement.

(ii) Segmental result

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated[1,2] £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 restated[1] £m	2021 £m	2020 restated[2] £m
Underlying profit for reportable segments[3]	**249**	157	**185**	207	**78**	122	**45**	54	**557**	540
Central expenses and net interest margin[2]									**(48)**	(74)
Consolidated underlying profit before taxation expense									**509**	466
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations	**(18)**	(11)	**-**	(1)	**-**	-	**-**	-	**(18)**	(12)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations[4]	**8**	-	**3**	26	**2**	(27)	**-**	-	**13**	(1)
Net property revaluation gain/(loss)	**17**	30	**-**	-	**(1)**	(4)	**-**	-	**16**	26
Realised and unrealised foreign exchange (loss)/gain[5]	**-**	-	**(3)**	-	**7**	(2)	**1**	-	**5**	(2)
Other Market Unit non-underlying items[6]	-	-	**(9)**	-	**32**	(7)	**-**	-	**23**	(7)
Group non-underlying items[7]									**(14)**	3
Gain on return-seeking assets, net of hedging									**3**	15
Total non-underlying items									**28**	22
Consolidated profit before taxation expense									**537**	488

1. 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit. Refer to note 1.5c for details of the restatement.
2. Refer to note 1.5 for details of the restatement.
3. Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. Other businesses includes Bupa Arabia and Niva Bupa. Bupa Global and UK includes Highway to Health. For further information please refer to note 6.
4. 2020 net gain/(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.
5. Includes the foreign exchange impact of treating unearned premiums and deferred acquisition costs as non-monetary items.
6. £32m within the Bupa Global and UK segment includes a £40m net gain on the acquisition of the membership and business of CS Healthcare (see note 24) and restructuring costs.
7. Includes £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year.

(iii) Other information

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

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated £m	**2021 £m**	2020 restated £m
Amortisation and depreciation costs for reportable segments[1]	**(163)**	(160)	**(184)**	(182)	**(126)**	(130)	**-**	-	**(473)**	(472)
Unrealised gain on investment property	**26**	25	**1**	-	**-**	-	**-**	-	**27**	25
Surplus/(deficit) on revaluation of property	**(8)**	5	**(1)**	-	**(1)**	(4)	**-**	-	**(10)**	1
Share of profits/(losses) from associates	**-**	-	**-**	-	**(3)**	1	**45**	55	**42**	56

1. Refer to note 1.5c and 1.5d for details of the restatement.

(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	
	2021 £m	2020 restated £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated £m
Total revenues[1]	**5,023**	4,761	**3,161**	2,868	**1,776**	1,722	**2,943**	2,791	**12,903**	12,142
Consolidated non-current assets[2]	**3,281**	3,569	**3,327**	3,331	**691**	842	**1,575**	1,719	**8,874**	9,461

1. Refer to note 1.5b for details of the restatement.
2. Consolidated non-current assets excludes financial investments, restricted assets, assets arising from insurance business, deferred taxation assets and post-employment benefit net assets.

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 based on the best estimate of future cash flows. 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 on a straight-line basis.
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. These revenue streams typically relate to short-term services that have fixed, rather than variable, transaction prices and there are no significant judgements required when considering the time pattern of revenue recognition. Payment terms vary from on 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 comprises: – rental income and amenities fees from Occupation Right Agreements, which is recognised on a straight-line basis over the term of the arrangement. – imputed interest on interest-free refundable accommodation deposits (RADs) in respect of payments for aged care units in Bupa Villages and Aged Care Australia. Revenue is recognised for the imputed interest on RADs, reflecting the Group's position as lessor. Use of the Maximum Permissible Interest Rate (MPIR) is considered most appropriate to determine the imputed revenue and interest amounts. The MPIR is a rate set by the Australian Government and is used to calculate the Daily Accommodation Payment to applicable residents. – government funding received in response to COVID-19, most notably in Bupa Health Services, Australia, Bupa Villages and Aged Care Australia and Hong Kong. Such funding is recognised when it is considered reasonably certain that the funding will be received and all necessary conditions have been complied with.

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 2021, Bupa Hong Kong has been reallocated from Other businesses to the Bupa Asia Pacific Market Unit. Comparatives have been restated accordingly.

	Care, health and other customer contract revenue 2021 £m	Net insurance premiums earned 2021 £m	Other revenue 2021 £m	Total revenues 2021 £m
Bupa Health Insurance	**8**	**3,876**	**1**	**3,885**
Bupa Health Services	**626**	**-**	**1**	**627**
Bupa Villages and Aged Care Australia	**317**	**-**	**34**	**351**
Bupa Villages and Aged Care New Zealand	**146**	**-**	**14**	**160**
Bupa Hong Kong	**167**	**307**	**1**	**475**
Bupa Asia Pacific	**1,264**	**4,183**	**51**	**5,498**
Sanitas Seguros	**8**	**1,228**	**2**	**1,238**
Sanitas Dental	**110**	**70**	**3**	**183**
Sanitas Hospitales and New Services	**221**	**-**	**-**	**221**
Sanitas Mayores	**130**	**-**	**-**	**130**
LuxMed	**470**	**13**	**1**	**484**
Bupa Acıbadem Sigorta	**-**	**166**	**-**	**166**
Bupa Chile	**392**	**674**	**2**	**1,068**
Care Plus	**3**	**178**	**-**	**181**
Bupa Mexico	**8**	**46**	**-**	**54**
Bupa Global Latin America	**12**	**266**	**1**	**279**
Europe and Latin America	**1,354**	**2,641**	**9**	**4,004**
Bupa UK Insurance	**18**	**1,576**	**4**	**1,598**
Bupa Dental Care UK	**493**	**-**	**-**	**493**
Bupa Care Services	**401**	**-**	**-**	**401**
Bupa Health Services	**168**	**-**	**1**	**169**
Bupa Global	**1**	**725**	**9**	**735**
Bupa Global and UK	**1,081**	**2,301**	**14**	**3,396**
Other	**-**	**-**	**5**	**5**
Other businesses	**-**	**-**	**5**	**5**
Consolidated total revenues	**3,699**	**9,125**	**79**	**12,903**

	Care, health and other customer contract revenue 2020 restated[1] £m	Net insurance premiums earned 2020 restated[1] £m	Other revenue 2020 restated £m	Total revenues 2020 restated[1] £m
Bupa Health Insurance	6	3,668	-	3,674
Bupa Health Services	562	-	23	585
Bupa Villages and Aged Care Australia[1]	313	-	35	348
Bupa Villages and Aged Care New Zealand	142	-	12	154
Bupa Hong Kong[1]	151	331	6	488
Bupa Asia Pacific[1]	1,174	3,999	76	5,249
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
Other	-	-	6	6
Other businesses	-	-	6	6
Consolidated total revenues	3,230	8,813	99	12,142

1. Refer to note 1.5 for details of the restatements.

Analysis of net insurance premiums earned

	2021 £m	2020 £m
Gross premiums written	**9,353**	8,909
Change in gross provisions for unearned premiums	**(126)**	(1)
Gross insurance premiums	**9,227**	8,908
Gross premiums written ceded to reinsurers	**(109)**	(97)
Reinsurers' share of change in gross provisions for unearned premiums	**7**	2
Premiums ceded to reinsurers	**(102)**	(95)
Net insurance premiums earned	**9,125**	8,813

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. 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 in some markets.

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 in respect of the Australian health insurance business) 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.

	2021 £m	2020 £m
Insurance claims paid	**7,267**	6,576
Change in gross provisions for claims[1]	**88**	206
Risk Equalisation Special Account levy (net of recoveries)	**(61)**	(70)
Insurance claims incurred	**7,294**	6,712
Recoveries from reinsurers on claims incurred	**(77)**	(58)
Reinsurers' share of change in gross provisions for claims	**(2)**	1
Reinsurers' share of claims incurred	**(79)**	(57)
Net insurance claims incurred	**7,215**	6,655

1. Change in gross provisions for claims includes £1m in respect of the deferred claims provision recognised at 31 December 2021 (2020: £163m).

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 businesses. Costs in relation to handling claims are included within insurance claims.

Operating expenses exclude insurance claims, finance costs and taxation.

Other operating expenses

	Note	**2021 £m**	2020 restated[1] £m
Staff costs	2.3.1	**2,239**	2,194
Acquisition costs	2.3.2	**427**	447
Medical supplies and fees		**1,186**	997
Property costs		**242**	239
Lease rentals and other expenses[2]		**23**	16
Marketing costs		**107**	107
Catering and housekeeping costs		**57**	57
Consultancy fees		**112**	117
Net gain on foreign exchange transactions		**(4)**	-
Amortisation of intangible assets	3	**149**	138
Depreciation expense	4	**324**	332
Other operating expenses (including auditors' remuneration)	2.3.3	**261**	289
Total other operating expenses		**5,123**	4,933

1. Refer to note 1.5 for details of the restatements.
2. Includes short-term and low-value lease rentals, and other lease expenses.

2.3.1 Staff costs

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

	2021 £m	2020 restated[1] £m
Wages and salaries	**2,222**	2,177
Social security costs	**121**	124
Contributions to defined contribution schemes	**43**	37
Other pension costs	**4**	7
Total staff costs	**2,390**	2,345
Staff costs relating to claims handling reported in claims	**(151)**	(151)
Staff costs in operating expenses	**2,239**	2,194

1. Refer to note 1.5a for details of the restatement.

Employee numbers

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

	2021	2020 restated[1]
Bupa Asia Pacific	**17,290**	18,351
Europe and Latin America	**40,636**	37,154
Bupa Global and UK	**21,615**	22,076
Other businesses	**4**	5
Total average employee numbers	**79,545**	77,586

1. 2020 employee numbers have been restated to report 1,635 Bupa Hong Kong employees as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021. Bupa Hong Kong was previously reported under Other businesses.

Directors' remuneration

	2021 £'000	2020 £'000
Emoluments	**2,510**	1,893
Company contributions to defined contribution pension schemes	**29**	42
Amounts receivable under long-term incentive schemes	**776**	706
Total	**3,315**	2,641
The remuneration of the highest paid Director was:		
Emoluments	**1,003**	507
Amounts receivable under long-term incentive schemes	**-**	299
Total	**1,003**	806

There are no Directors who are members of a Bupa defined benefit pension scheme (2020: nil).

2.3.2 Acquisition costs

	2021 £m	2020 £m
Commission for direct insurance	**367**	355
Other acquisition costs paid	**67**	69
Changes in deferred acquisition costs	**(7)**	23
Total acquisition costs	**427**	447

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

2.3.3 Auditors' remuneration

	2021 £m	2020 £m
Audit fees for audit of Company's annual accounts	**0.5**	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**	6.9
Audit fees for audit-related assurance services	**1.2**	1.0
Audit fees to the Company's auditors	**8.6**	8.0
Fees payable to the Company's auditor and its associates for other services:		
All other non-audit services	**0.2**	0.2
Total non-audit fees	**0.2**	0.2
Total auditors' remuneration	**8.8**	8.2

All services provided by PwC during the year were in compliance with the Group's non-audit services policy, the FRC Ethical Standard and approved by the Audit Committee. Audit services were provided by KPMG for the year ended 31 December 2020.

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	**2021 £m**	2020 £m
Gain on acquisition of businesses[1]		**42**	-
Net gain/(loss) on disposal and restructuring of businesses[2]		**13**	(1)
(Deficit)/surplus on revaluation of property	4	**(10)**	1
Net gain on disposal of property, plant and equipment		**4**	1
Total other income and charges		**49**	1

1. Gain on acquisition of businesses includes a £42m gain in relation to the acquisition of the membership and business of CS Healthcare (see note 24). This is gross of related transaction costs of £2m.
2. 2020 net gain/(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.

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	**2021 £m**	2020 £m
Interest income:			
Investments at fair value through profit or loss		**42**	21
Investments at fair value through other comprehensive income		**12**	2
Investments at amortised cost		**18**	28
Net realised gains/(losses):			
Net realised gains/(losses) on investments at fair value through profit or loss		**3**	(3)
Net realised (losses)/gains on financial investments at fair value through other comprehensive income		**(1)**	5
Net increase in fair value:			
Investments at fair value through profit or loss		**-**	13
Investment property	5	**27**	25
Net foreign exchange translation (losses)/gains		**(4)**	1
Total financial income		**97**	92

Included within financial income is a net gain, after economic hedging, on the Group's return-seeking asset portfolio of £3m (2020: net gain £15m).

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.

	2021 £m	2020 restated[1] £m
Interest expense on financial liabilities at amortised cost	**92**	98
Finance charges in respect of leases and restoration provisions	**48**	55
Other financial expenses[1]	**45**	29
Total financial expenses	**185**	182

1. Refer to note 1.5 for details of the restatement.

Other financial expenses includes £23m (2020: £24m) of imputed financial expenses in relation to interest-free refundable accommodation deposits received by the Group in respect of payment for aged care units in Bupa Villages and Aged Care Australia.

A loss of £18m was recognised in other financial expenses following the early redemption of £250m of unguaranteed subordinated bonds during the year. The bonds were originally due to mature on 25 April 2023.

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.

	2021 £m	2020 restated[1] £m
Current taxation expense		
UK taxation on income for the year	**13**	21
UK taxation adjustments in respect of prior periods	**(12)**	5
Total UK current taxation expense	**1**	26
Double taxation relief	**(6)**	(8)
Foreign taxation on income for the year	**179**	209
Foreign taxation adjustments in respect of prior years[2]	**(45)**	(15)
Total foreign current taxation expense	**134**	194
Total current taxation	**129**	212
Deferred taxation income		
Origination and reversal of temporary differences	**(53)**	(114)
Adjustments in respect of prior periods	**9**	10
Changes in taxation rates	**14**	4
Total deferred taxation income	**(30)**	(100)
Taxation expense	**99**	112

1. Refer to note 1.5 for details of the restatement.
2. A favourable decision of the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.

(ii) Reconciliation of effective taxation rate

	2021 **£m**	2020 restated[1] £m
Profit before taxation expense	**537**	488
UK corporation taxation rate	**19%**	19%
Tax at the UK corporation taxation rate	**102**	93
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions	**34**	25
Deductions not allowable for taxation purposes	**25**	27
Income not taxable or taxable at concessionary rates	**(11)**	(12)
Property revaluation not included as a temporary difference	**(7)**	(5)
Results of associates	**(9)**	(12)
Changes in taxation rates	**14**	4
Movement in deferred taxation asset not recognised	**2**	1
	48	28
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods[2]	**(48)**	-
(Profit)/loss on disposal and acquisition of business	**(4)**	(2)
Other	**1**	(7)
	(51)	(9)
Taxation expense at the effective rate of 18% (2020: 23%)	**99**	112

1. Refer to note 1.5 for details of the restatement.
2. A favourable decision of the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.

All UK deferred taxation balances were revalued following the change in the enacted UK taxation rate from 19% to 25% (which applies from 1 April 2023), resulting in an increase in the overall tax charge of £14m.

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

	2021 **£m**	2020 £m
Deferred taxation credit/(charge) in respect of:		
Unrealised losses on revaluation of property	**6**	4
Remeasurement (gains)/losses on pension schemes	**(1)**	1
Other items including foreign exchange translation differences	**-**	2
Taxation credit on income and expenses recognised directly in other comprehensive income	**5**	7

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 2-10 years
- Brand and trademarks 3 years-indefinite
- Customer relationships 3-20 years
- Technology and databases 10 years
- Distribution networks 10-14 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.

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

In other intangibles, the Group holds bed licences, with a carrying value of £83m (2020: £110m), within the Bupa Villages and Aged Care Australia CGU. Following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, the Group has reviewed the amortisation term and reduced it from being an indefinite useful economic life to cover the period from 1 October 2021 to 1 July 2024. The Group has recognised £8m of amortisation in respect of Australian bed licences at 31 December 2021. In addition an impairment loss of £10m was recognised in respect of bed licences no longer in use.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2021

	Goodwill	Computer software[1]	Brands/ Trademarks	Customer relationships	Other[2]	Total
	£m	£m	£m	£m	£m	£m
2021						
Cost						
At beginning of year	**3,440**	**906**	**336**	**918**	**333**	**5,933**
Assets arising on business combinations	**28**	**-**	**1**	**29**	**4**	**62**
Additions	**-**	**88**	**-**	**-**	**-**	**88**
Disposals	**(52)**	**(56)**	**(13)**	**-**	**(8)**	**(129)**
Transfer to assets held for sale	**(17)**	**-**	**-**	**-**	**-**	**(17)**
Other	**(25)**	**3**	**-**	**1**	**(1)**	**(22)**
Foreign exchange	**(141)**	**(30)**	**(32)**	**(24)**	**(23)**	**(250)**
At end of year	**3,233**	**911**	**292**	**924**	**305**	**5,665**
Amortisation and impairment loss						
At beginning of year	**798**	**609**	**165**	**403**	**152**	**2,127**
Amortisation for year	**-**	**69**	**9**	**56**	**15**	**149**
Impairment loss	**6**	**9**	**-**	**-**	**12**	**27**
Disposals	**-**	**(53)**	**(2)**	**-**	**(4)**	**(59)**
Other	**(5)**	**2**	**-**	**-**	**-**	**(3)**
Foreign exchange	**(15)**	**(16)**	**(13)**	**(17)**	**(8)**	**(69)**
At end of year	**784**	**620**	**159**	**442**	**167**	**2,172**
Net book value at end of year	**2,449**	**291**	**133**	**482**	**138**	**3,493**
Net book value at beginning of year (restated)[1]	2,642	297	171	515	181	3,806
2020						
Cost						
At beginning of year (as previously reported)	3,352	815	333	915	329	5,744
Opening balance adjustment [1]	-	(11)	-	-	-	(11)
Assets arising on business combinations	13	-	-	-	-	13
Additions	-	102	-	1	4	107
Disposals	(5)	(14)	-	-	(4)	(23)
Other	-	4	-	-	-	4
Foreign exchange	80	10	3	2	4	99
At end of year (restated)[1]	3,440	906	336	918	333	5,933
Amortisation and impairment loss						
At beginning of year (as previously reported)	781	556	152	340	129	1,958
Opening balance adjustment [1]	-	(1)	-	-	-	(1)
Amortisation for year	-	60	11	57	10	138
Impairment loss	-	7	-	-	11	18
Disposals	-	(14)	-	-	-	(14)
Other	-	(3)	-	-	-	(3)
Foreign exchange	17	4	2	6	2	31
At end of year (restated)[1]	798	609	165	403	152	2,127
Net book value at end of year (restated)[1]	2,642	297	171	515	181	3,806
Net book value at beginning of year (restated)[1]	2,571	249	181	575	200	3,776

1. Refer to note 1.5d for details of the restatement.
2. Predominantly comprises bed licences, distribution networks and licences to operate care homes.

Intangible assets of £3,493m (2020: £3,806m) include £753m (2020: £867m) which is attributable to other intangible assets arising on business combinations, comprising customer relationships, brand and trademarks and other in the above table.

Computer software assets of £291m (2020: £297m) includes £233m (2020: £242m) attributable to capitalised internal development costs. £72m of costs (2020: £82m) were capitalised in the period.

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 business drivers of the cash flow forecasts vary by CGU. 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. For insurance business, key drivers are assumed future insurance premium rate rises, claims volatility and claims inflation. 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 with further projections added for years four and five.

During 2021 a change was made to the estimation technique used for modelling estimated future cash flows to remove financing costs from future lease cash flows. While this has not impacted the carrying value of goodwill and intangible assets in the current or prior years, this has led to an increase in the value in use of some CGUs with significant leasing portfolios.

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 2.0% and 6.6% (2020: 2.5% 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 forecast 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:

	2021 **%**	2020 %
Bupa Australia Health Insurance	**7.4**	7.7
Bupa Health Services Australia	**9.3**	9.7
Bupa Villages and Aged Care Australia	**9.8**	10.0
Bupa Chile	**11.5**	12.3
LuxMed	**8.2**	8.9
Sanitas Seguros	**8.6**	9.4
Sanitas Mayores	**8.0**	8.9
Bupa Acıbadem Sigorta	**17.7**	23.8
Care Plus	**13.1**	15.4
Bupa Care Services UK	**7.0**	6.9
Bupa Dental Care UK	**7.8**	7.5
Bupa Global	**11.2**	10.2
Hong Kong	**10.0**	10.4

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

During the year an impairment loss of £6m was recognised in relation to goodwill, of which £4m related to goodwill associated with bed licences no longer in use and £2m relating to Bupa Villages and Aged Care Australia care homes prior to transfer to held for sale.

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

	2021 £m	2020 £m
Bupa Asia Pacific		
Bupa Australia Health Insurance	**821**	894
Bupa Health Services Australia	**288**	311
Bupa Villages and Aged Care Australia	**99**	111
Hong Kong	**115**	112
Europe and Latin America		
Bupa Chile	**130**	152
LuxMed	**246**	251
Sanitas Seguros	**46**	101
Sanitas Mayores	**21**	22
Bupa Acıbadem Sigorta	**24**	41
Care Plus	**26**	19
Other	**5**	-
Bupa Global and UK		
Bupa Care Services UK	**90**	90
Bupa Dental Care UK	**467**	467
Bupa Global	**68**	68
Other	**3**	3
Total	**2,449**	2,642

Sensitivity to changes in key assumptions

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 or where the Group considers there to be business uncertainty due to recent local pressures.

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.

	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	95	7.8	2.1	(98)	(85)	(92)
Bupa Care Services UK	73	7.0	2.1	(121)	(106)	(107)
Bupa Villages and Aged Care Australia	61	9.8	3.0	(34)	(28)	(45)
Bupa Chile	54	11.5	3.0	(46)	(37)	(63)

Key assumptions underpinning the cash flows differ across the CGUs. For Bupa Dental Care UK, cash flows are highly sensitive to available clinician hours during the forecast period. For Bupa Care Services UK and Bupa Villages and Aged Care Australia, key cash flow drivers are the recovery of occupancy rates and the controlling of operating expenses. For Bupa Chile, future cash flows are sensitive to local regulatory approval of assumed future insurance premium rate rises, claims volatility and the wider political and regulatory environment the business operates in.

Impairment of other intangible assets

As at 31 December 2021, other intangible assets with indefinite useful lives were tested for impairment with no impairment arising in the current year (2020: £nil).

A review of intangible assets that are subject to amortisation resulted in impairments of £11m (2020: £19m), of which £9m related to computer software assets and £2m to other intangibles. In 2020 this primarily related to a £10m impairment of a distribution rights asset in Hong Kong and an £8m impairment of computer software assets.

In addition, following the Australian Government's announcement of the future deregulation of bed licences from 1 July 2024, the Group assessed that bed licences no longer in use were impaired. This resulted in the recognition of a £10m impairment in the current year (2020: £nil).

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 held 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.

	Freehold property	Right-of-use asset property	Leasehold improvements	Owned equipment	Right-of-use asset equipment	Total
	£m	£m	£m	£m	£m	£m
2021						
Cost or valuation						
At beginning of year	**2,458**	**1,180**	**307**	**1,388**	**16**	**5,349**
Assets arising on business combinations	**17**	**2**	**-**	**2**	**-**	**21**
Additions	**33**	**48**	**20**	**140**	**4**	**245**
Transfer to assets held for sale	**(12)**	**(5)**	**(2)**	**(10)**	**-**	**(29)**
Disposals	**(43)**	**(42)**	**(15)**	**(60)**	**(5)**	**(165)**
Revaluations	**(60)**	**-**	**-**	**-**	**-**	**(60)**
Remeasurements	**-**	**42**	**-**	**-**	**-**	**42**
Other	**3**	**(5)**	**1**	**(6)**	**-**	**(7)**
Foreign exchange	**(100)**	**(55)**	**(14)**	**(65)**	**-**	**(234)**
At end of year	**2,296**	**1,165**	**297**	**1,389**	**15**	**5,162**
Depreciation and impairment loss						
At beginning of year	**35**	**270**	**131**	**792**	**6**	**1,234**
Depreciation charge for year	**40**	**139**	**24**	**117**	**4**	**324**
Transfer to assets held for sale	**-**	**(2)**	**(1)**	**(6)**	**-**	**(9)**
Disposals	**(1)**	**(32)**	**(12)**	**(48)**	**(4)**	**(97)**
Revaluations	**(24)**	**-**	**-**	**-**	**-**	**(24)**
Impairment loss	**-**	**4**	**1**	**1**	**-**	**6**
Other	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Foreign exchange	**(2)**	**(15)**	**(6)**	**(37)**	**-**	**(60)**
At end of year	**48**	**364**	**137**	**814**	**6**	**1,369**
Net book value at end of year	**2,248**	**801**	**160**	**575**	**9**	**3,793**
Net book value at beginning of year	2,423	910	176	596	10	4,115
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

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.

In 2021, the external triennial revaluation of properties in Spain was performed independently by Alia Tasaciones S.A. Directors' property valuations have been performed across all other geographies.

In valuing care home property, a judgement is made on the highest and best use of the property. In the majority of cases this leads to the property being valued as part of a group of assets making up a going-concern business using market valuations. The business is valued on a fair maintainable trade basis with the fair value thus calculated being allocated to plant and equipment and bed licences applicable at net book value (as a proxy for fair value), with the residual value being allocated to property.

The valuations of care homes across the Group (and hospitals in Spain and Poland) are therefore 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 a reasonably efficient operator 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 considered 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	94.2%	90.9%	83.4%	81.0%	N/A	N/A
Valuation assumptions: average capitalisation/discount rate	14.0%	13.5%	10.9%	15.0%	6.9%	10.8%
Valuation assumptions: average price per square metre	N/A	N/A	£3,977	£2,022	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	5.5%	5.0%	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 £(96)m/£100m (2020: £(90)m/£101m).

The table below shows the date at which freehold properties held as at 31 December 2021 were last subject to external valuation.

	2021 £m
Valuation – December 2021	**236**
Valuation – December 2020	**939**
Valuation – December 2019	**979**
Assets held at cost[1]	**142**
Cost or valuation	**2,296**

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. When a revaluation reverses losses taken to the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £26m net revaluation deficit (2020: £5m deficit) has been recognised in the property revaluation reserve, with a revaluation loss of £10m (2020 gain: £1m) charged to the Consolidated Income Statement within other income and charges (see note 2.4).

Recognised in the carrying amount of freehold property is £70m (2020: £100m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2021 £m	2020 restated[1] £m
Historical cost of revalued assets	**2,128**	2,204
Accumulated depreciation based on historical cost	**(423)**	(380)
Historical cost net book value	**1,705**	1,824
Depreciation charge for the year on historical cost	**43**	44

1. A correction has been made to the 2020 historical cost net book value, reducing the balance by £469m.

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. As there are no directly comparable sales from which values can be derived, the fair value of investment property is determined using inputs that are unobservable. Therefore the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement. These properties are valued using discounted cash flow projections based on reliable estimates of future cash flows.

	Note	2021 £m	2020 £m
At beginning of year		**627**	522
Additions		**37**	59
Disposals		**-**	(1)
Increase in fair value	2.5	**27**	25
Reclassification from property, plant and equipment		**1**	-
Foreign exchange		**(26)**	22
At end of year		**666**	627

In the current year, a revaluation surplus of £27m (2020: £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 £604m (2020: £564m) and Australia of £50m (2020: £51m). 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 £440m (2020: restated to £423m, an increase of £99m).

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%-15.5%**
Capital growth rate	**0.0%-3.5%**
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 reasonably possible 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	£15m increase	£14m decrease

Retirement villages
During the year ended 31 December 2021, the Group's retirement village portfolio in Australia and New Zealand generated £21m (2020: £16m) of income which was recognised as revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £16m (2020: £12m).

6 Equity accounted investments

Equity accounted investments comprise associated companies and joint ventures 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 commences until the date that significant influence ceases.

The carrying amount of equity accounted investments is £905m (2020: £868m). 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	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc.	Insurance	49.00%	USA	USA
Niva Bupa Health Insurance Company Limited[1]	Insurance	44.75%	India	India

1. Niva Bupa Health Insurance Company Limited (Niva Bupa), previously known as Max Bupa Health Insurance Company Limited, was rebranded in the year.

During the year the Group received dividends of £34m (2020: £nil) from Bupa Arabia for Cooperative Insurance Company (Bupa Arabia).

In March 2021, the Group increased its shareholding from 44.42% to 44.75% for a consideration of £1m in Niva Bupa. During the year, the Group made further capital injections in Niva Bupa of £13m (2020: £5m). Distributions to shareholders are currently restricted by local regulatory requirements which are reassessed 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 policies.

	Bupa Arabia		Highway to Health		Niva Bupa	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Revenue	**2,058**	2,229	**157**	168	**154**	112
Cash and cash equivalents	**89**	123	**80**	106	**4**	2
Other current assets	**1,658**	1,532	**95**	54	**20**	13
Current assets	**1,747**	1,655	**175**	160	**24**	15
Non-current assets	**694**	586	**8**	9	**213**	142
Current liabilities	**(1,623)**	(1,480)	**(94)**	(79)	**(71)**	(57)
Non-current liabilities	**-**	-	**(3)**	(3)	**(96)**	(60)
Net assets	**818**	761	**86**	87	**70**	40

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Niva Bupa	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Opening net assets	**761**	618	**87**	85	**40**	33
Profit/(loss) for the year	**115**	150	**(5)**	3	**(15)**	(1)
Other comprehensive income	**14**	29	**-**	-	**-**	-
Dividends paid	**(79)**	-	**-**	-	**-**	-
Other reserve movements	**7**	(36)	**4**	(1)	**45**	8
Closing net assets	**818**	761	**86**	87	**70**	40
% Ownership	**43.25%**	43.25%	**49.00%**	49.00%	**44.75%**	44.42%
Reporting entity's share[1]	**354**	329	**42**	43	**24**	18
Goodwill	**274**	274	**175**	171	**20**	16
Carrying amount	**628**	603	**217**	214	**44**	34
Reporting entity's share of profit/(loss)[2]	**49**	55	**(3)**	1	**(7)**	-

1. Reported entity's share excludes subordinated debt recorded under equity for Niva Bupa as the Group has no rights over the debt.
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.

(ii) Individually immaterial equity accounted investments

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The aggregate carrying amount of these associates and joint ventures is £16m (2020: £17m). The Group's share of profit recognised during the year for these is £3m (2020: £nil).

7 Post-employment benefits

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

The principal defined contribution pension scheme during the year was the My Bupa LifeSight Plan.

The National Employment Savings Trust (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) Amounts recognised in the Consolidated Income Statement
The amounts charged to other operating expenses for the year are:

	2021 £m	2020 £m
Current service cost	**-**	1
Total amount charged to the Consolidated Income Statement	**-**	1

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £43m (2020: £37m).

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

	2021 £m	2020 £m
Actual return less expected return on assets	**-**	(6)
(Gain)/loss arising from changes to financial assumptions	**(3)**	11
(Gain)/loss arising from changes to experience assumptions	**(1)**	1
Gain arising from changes to demographic assumptions	**-**	(1)
Total remeasurement (gains)/losses (credited)/charged directly to equity	**(4)**	5

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 My Bupa LifeSight Plan. All other existing defined contribution arrangements in the UK, including The Bupa Retirement Savings Plan, which was in effect from 1 October 2002 to 31 December 2020 and several other contract-based defined contribution arrangements, were all 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, which has been closed to new entrants since 1 October 2002 and closed to future accrual on 31 December 2020. 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 2021 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 as at 31 December 2021 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Scheme trustees are appointed for each scheme as determined by their respective trust documentation and trustees are required to act in the best interests of the schemes' beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk.

Complete disclosure of these other, smaller 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

	Section	Defined benefit funded pension schemes 2021 £m	2020 £m
Present value of funded obligations	(b)	**(82)**	(88)
Fair value of scheme assets	(c)	**74**	77
Net recognised liabilities		**(8)**	(11)
In the Consolidated Statement of Financial Position:			
Net liabilities		**(9)**	(12)
Net assets		**1**	1
Net recognised liabilities		**(8)**	(11)

(b) Present value of funded schemes' obligations

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

	Defined benefit funded pension schemes 2021 £m	2020 £m
At beginning of year	**88**	78
Current service costs	**-**	1
Interest on obligations	**1**	1
(Gain)/loss from changes to financial assumptions	**(3)**	11
(Gain)/loss from changes to experience assumptions	**(1)**	1
Gains from changes to demographic assumptions	**-**	(1)
Benefits paid	**(3)**	(4)
Foreign exchange	**-**	1
At end of year	**82**	88

(c) Fair value of funded schemes' assets

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

	2021 £m	2020 £m
At beginning of year	**77**	73
Interest income	**1**	1
Return on assets excluding interest income	**-**	6
Contributions by employer	**1**	1
Benefits paid	**(4)**	(4)
Foreign exchange	**(1)**	-
At end of year	**74**	77

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

	2021 £m	2021 %	2020 £m	2020 %
Pooled investment funds	**34**	**46**	34	45
Government bonds	**17**	**23**	18	23
Cash/other assets	**7**	**9**	12	14
Equities	**10**	**14**	8	10
Loans	**3**	**4**	3	4
Corporate bonds	**3**	**4**	2	4
Total market value of the assets of the funded schemes	**74**	**100**	77	100

Aside from equities in the table above, no other 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	
	2021 **%**	2020 %
Inflation rate	**3.4**	3.0
Rate of increase in salaries	**3.0**	3.3
Rate of increase to pensions in payment	**3.0**	2.9
Rate of increase to pensions in deferment	**3.0**	2.9
Discount rate for scheme assets and obligations	**1.7**	1.3

(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 rate of increase of pensions in deferment is set relative to the inflation rate assumption and adjusted for any relevant caps or collars.

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 mortality tables adopted as at 31 December 2021 are the S3PA year of birth mortality tables using the CMI 2020 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 expectancy 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 expectancy 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 15 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.

	2021 **£m**	2020 £m
Non-current restricted assets	**45**	48
Current restricted assets	**113**	101
Total restricted assets	**158**	149

The non-current restricted assets balance of £45m (2020: £48m) consists of cash deposits held to secure a charge over the unfunded pension scheme obligations (held in the Parent). Included in current restricted assets is £111m (2020: £101m) 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 to all assets, as no significant increases in credit risk since initial recognition have been identified.

The measurement of ECL should reflect a probability-weighted outcome, the time value of money and the best available forward-looking information. An analysis of ECL provisions is provided in note 26.3.

Financial investments are analysed as follows:

	Carrying value 2021 £m	**Fair value 2021 £m**	Carrying value 2020 restated[1] £m	Fair value 2020 restated[1] £m
Fair value through profit or loss				
Corporate debt securities and secured loans	**334**	**334**	342	342
Government debt securities	**45**	**45**	47	47
Pooled investment funds	**386**	**386**	301	301
Deposits with credit institutions	**-**	**-**	1	1
Other loans	**7**	**7**	8	8
Equities	**13**	**13**	12	12
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**66**	**66**	85	85
Government debt securities	**30**	**30**	38	38
Amortised cost				
Corporate debt securities and secured loans[1]	**774**	**776**	785	791
Government debt securities	**211**	**214**	103	106
Deposits with credit institutions[1]	**1,044**	**1,045**	1,142	1,149
Other loans	**1**	**1**	1	1
Total financial investments	**2,911**	**2,917**	2,865	2,881
Non-current	**831**	**833**	945	951
Current	**2,080**	**2,084**	1,920	1,930

1. Refer to note 1.5e for details of the restatement.

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 are 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 the fair value of financial investments by hierarchy level is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2021				
Fair value through profit or loss				
Corporate debt securities and secured loans	**36**	**297**	**1**	**334**
Government debt securities	**27**	**18**	**-**	**45**
Pooled investment funds	**96**	**277**	**13**	**386**
Deposits with credit institutions	**-**	**-**	**-**	**-**
Other loans	**-**	**-**	**7**	**7**
Equities	**-**	**-**	**13**	**13**
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**63**	**3**	**-**	**66**
Government debt securities	**30**	**-**	**-**	**30**
Amortised cost				
Corporate debt securities and secured loans	**523**	**253**	**-**	**776**
Government debt securities	**109**	**105**	**-**	**214**
Deposits with credit institutions	**-**	**1,045**	**-**	**1,045**
Other loans	**-**	**1**	**-**	**1**
Total financial investments	**884**	**1,999**	**34**	**2,917**

	Level 1 £m	Level 2 restated[1] £m	Level 3 £m	Total restated[1] £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[1]	621	170	-	791
Government debt securities	105	1	-	106
Deposits with credit institutions[1]	-	1,149	-	1,149
Other loans	-	1	-	1
Total financial investments	1,068	1,785	28	2,881

1. Refer to note 1.5e for details of the restatement.

Transfers between fair value hierarchy levels
The Group's policy is to determine whether transfers have occurred between fair value hierarchy levels at the end of a reporting period. Classification is reassessed based on the lowest level input that is significant to the fair value measurement as a whole.

£48m of government debt securities and corporate debt securities and secured loans have been transferred from Level 1 to Level 2 following a review of the level of market activity and readily available quoted prices in those investments. In addition, there were transfers of £13m from Level 2 to Level 1 and £1m from Level 2 to Level 3. There were no transfers between fair value hierarchy levels for the year ended 31 December 2020.

The Group currently holds Level 3 investments totalling £34m. The majority of Level 3 investments are unlisted equities and convertible notes valued at the recent subscription value and conversion price, which are considered to be unobservable inputs. Reasonably possible changes to the valuation assumptions applied could result in a change in fair value of plus or minus £2m.

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

Level 3	2021 £m	2020 £m
Opening balance	**28**	22
Additions	**2**	6
Net increase in fair value	**4**	-
Transfer between levels	**1**	-
Foreign exchange	**(1)**	-
At end of year[1]	**34**	28

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

Transfers into Level 3 financial assets reflected changes in the availability of observable inputs used in the valuation of those assets.

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:

	2021 %	2020 %
Sterling assets and liabilities	**0.9-1.1**	0.0-0.6
Australian dollar assets and liabilities	**0.3-1.4**	0.0-0.2
Euro assets and liabilities	**(0.7)-0.2**	(0.7)-(0.1)
US dollar assets and liabilities	**0.4-1.9**	0.1-1.7

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 26 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.

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.

	2021 £m	2020 £m
Derivative assets		
Non-current	**5**	8
Current	**36**	53
Total derivative assets	**41**	61
Derivative liabilities		
Non-current	**(18)**	(18)
Current	**(17)**	(59)
Total derivative liabilities	**(35)**	(77)

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.

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	
	2021 £m	2020 restated[1] £m	2021 £m	2020 restated[1] £m	2021 £m	2020 restated[1] £m
Accelerated capital allowances	**47**	25	**(28)**	(36)	**19**	(11)
Post-employment benefits	**3**	3	**(1)**	(1)	**2**	2
Revaluation of properties to fair value	**2**	2	**(104)**	(91)	**(102)**	(89)
Employee benefits (other than post-employment)	**43**	47	**-**	-	**43**	47
Provisions	**143**	131	**(8)**	-	**135**	131
Taxation value of losses carried forward	**44**	38	**-**	-	**44**	38
Goodwill and intangible assets	**9**	9	**(207)**	(203)	**(198)**	(194)
Other	**14**	-	**(39)**	(44)	**(25)**	(44)
Deferred taxation (before allowable netting)	**305**	255	**(387)**	(375)	**(82)**	(120)
Allowable netting of deferred taxation	**(216)**	(206)	**216**	206	**-**	-
Deferred taxation – net	**89**	49	**(171)**	(169)	**(82)**	(120)

1. Refer to note 1.5 for details of the restatements.

Unrecognised deferred taxation assets

As at 31 December 2021, the Group had deductible temporary differences relating to trading losses of £100m (2020: £100m) and capital losses of £69m (2020: £59m) 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	Recognised in Consolidated Income Statement	Recognised in other comprehensive income	Acquisitions through business combinations	Disposals	Transfer from assets held for sale	Foreign exchange	At end of year
	£m	£m	£m	£m	£m	£m	£m	£m
2021								
Accelerated capital allowances	**(11)**	**30**	**-**	**(1)**	**-**	**-**	**1**	**19**
Post-employment benefits	**2**	**-**	**(1)**	**1**	**-**	**-**	**-**	**2**
Revaluation of properties to fair value	**(89)**	**(23)**	**6**	**-**	**-**	**-**	**4**	**(102)**
Employee benefits (other than post-employment)	**47**	**-**	**-**	**-**	**-**	**-**	**(4)**	**43**
Provisions	**131**	**16**	**-**	**1**	**-**	**-**	**(13)**	**135**
Taxation value of losses carried forward	**38**	**10**	**-**	**-**	**-**	**-**	**(4)**	**44**
Goodwill and intangible assets	**(194)**	**(13)**	**-**	**(2)**	**-**	**-**	**11**	**(198)**
Other	**(44)**	**10**	**-**	**-**	**4**	**-**	**5**	**(25)**
Total	**(120)**	**30**	**5**	**(1)**	**4**	**-**	**-**	**(82)**
2020								
Accelerated capital allowances[1]	(21)	6	6	-	-	-	(2)	(11)
Post-employment benefits	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[1]	63	54	-	-	-	-	14	131
Taxation value of losses carried forward	38	2	-	-	-	-	(2)	38
Goodwill and intangible assets	(192)	6	-	-	-	-	(8)	(194)
Other	(47)	8	2	-	-	(2)	(5)	(44)
Total	(220)	100	7	-	-	(2)	(5)	(120)

1. Refer to note 1.5 for details of the restatements.

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 reinsurers’ share of insurance provisions is discussed in note 19.

	Note	**2021** **£m**	2020 £m
Insurance debtors	(a)	**1,116**	1,087
Reinsurers’ share of insurance provisions	(b)	**33**	24
Deferred acquisition costs	(c)	**143**	138
Medicare rebate	(d)	**73**	76
Risk Equalisation Special Account Recoveries		**9**	20
Total assets arising from insurance business		**1,374**	1,345
Non-current		**7**	11
Current		**1,367**	1,334

The above balance is held net of provision for impairment losses of £27m (2020: £27m). Information regarding movement in the provision and the ageing of insurance debtors, Medicare rebate and Risk Equalisation Special Account Recoveries is shown in note 26.3.

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 recoverability 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 are deferred and recognised in the Consolidated Income Statement in the period in which the benefit is recognised, on a straight-line basis.

The movement in deferred acquisition costs is as follows:

	2021 £m	2020 £m
At beginning of the year	**138**	160
Acquisition costs deferred	**380**	380
Acquisition costs released to Consolidated Income Statement	**(373)**	(403)
Foreign exchange	**(2)**	1
At end of year	**143**	138

Acquisition costs released to the Consolidated Income Statement include £19m (2020: £21m) 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 were £93m (2020: £126m). Inventory write-downs of £1m were made during the year (2020: £1m). The Group consumed £221m (2020: £240m) 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	**2021 £m**	2020 £m
Trade receivables	(a)	**319**	263
Amounts owed by Parent		**24**	25
Other receivables	(a)	**122**	121
Service concession receivables	(b)	**30**	38
Prepayments		**71**	78
Contract costs	(c)	**5**	6
Accrued income		**47**	72
Total trade and other receivables		**618**	603
Non-current		**12**	25
Current		**606**	578

Trade and other receivables are carried at amortised cost net of provisions for ECLs. Trade receivables relate to consideration due from customer contracts. 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. 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 26.3.

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 26.3. All impairment losses are recognised in the Consolidated Income Statement within net impairment loss on financial assets. Impairment losses on trade receivables of £8m have been recognised in the period (2020: £9m).

(b) Service concession receivables
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 the 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.

	2021 £m	2020 £m
Cash at bank and in hand	**1,247**	1,279
Short-term deposits	**492**	427
Total cash and cash equivalents	**1,739**	1,706

Bank overdrafts of £1m (2020: £1m) that are repayable on demand are reported within other interest-bearing liabilities in 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 the Consolidated Income Statement.

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

	2021 £m	2020 £m
Assets held for sale		
Goodwill and intangible assets	**17**	-
Property, plant and equipment	**20**	8
Trade and other receivables	**1**	-
Total assets classified as held for sale	**38**	8
Liabilities associated with assets held for sale		
Lease liabilities	**(2)**	(1)
Provisions for liabilities and charges	**(1)**	-
Trade and other payables	**(1)**	-
Total liabilities classified as held for sale	**(4)**	(1)
Net assets classified as held for sale	**34**	7

Net assets held for sale as at 31 December 2021 predominantly comprise the Dental Corporation New Zealand business, Dental Corporation Australia's 'Dental Lounge' business and a number of care homes and assets within Bupa Villages and Aged Care Australia. Net assets held for sale as at 31 December 2020 primarily comprised the rehabilitation business within 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 held 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	**2021 £m**	2020 £m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	**997**	1,247
Total subordinated liabilities		**997**	1,247
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	**642**	997
Fair value adjustment in respect of hedged interest rate risk		**(16)**	12
Bank loans and overdrafts	(c)	**196**	182
Total other interest-bearing liabilities		**822**	1,191
Total borrowings		**1,819**	2,438
Non-current		**1,623**	2,000
Current		**196**	438

	Subordinated liabilities		Other interest-bearing liabilities		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At beginning of year	**1,247**	1,245	**1,191**	1,105	**2,438**	2,350
Arising on business combinations	**-**	-	**2**	1	**2**	1
Net (repayments)/proceeds	**(250)**	20	**(322)**	50	**(572)**	70
Interest payments	**(58)**	(72)	**(25)**	(28)	**(83)**	(100)
Accrued interest and amortisation	**58**	63	**24**	28	**82**	91
Fair value adjustment in respect of hedged risk	**-**	(9)	**(28)**	9	**(28)**	-
Transfer from liabilities associated with assets held for sale	**-**	-	**-**	18	**-**	18
Foreign exchange	**-**	-	**(20)**	8	**(20)**	8
At end of year	**997**	1,247	**822**	1,191	**1,819**	2,438

(a) Subordinated unguaranteed bonds
The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £997m (2020: £1,247m).

On 24 September 2021, the Company early redeemed £250m of £500m unguaranteed subordinated bonds originally due to mature on 25 April 2023. Maturity of the remaining £250m portion is unchanged and interest is payable on the bonds at 5.00% 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.

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% 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.

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 5.00% 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.

(b) Senior unsecured bonds
On 17 June 2021, the Company repaid £350m of senior unsecured bonds. Interest was payable on the bonds at 3.375% per annum.

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% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £284m (2020: £300m). 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 2.00% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £298m (2020: £310m). 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 30 June 2012, Cruz Blanca Salud S.A., now Bupa Chile, issued UF1.6m (£44m) (Unidad de Fomento – an inflation-linked currency commonly used in Chile) of inflation-linked senior unsecured bonds which mature on 30 June 2033.

(c) Bank loans and overdrafts
Bank loans and overdrafts are £196m (2020: £182m), which includes a portfolio of loans held in Bupa Chile totalling £38m (2020: £128m) and a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. (part of Sanitas Hospitales and New Services) of £8m (2020: £14m).

In December 2021 the Group entered into a new £900m revolving credit facility which has a maturity of December 2026 with two, one-year extension options. The facility replaced an £800m revolving credit facility (2020: undrawn) and a separate £40m bilateral facility (2020: fully drawn down). The new facility was drawn down by £150m as at 31 December 2021. Drawings under the £900m facility are guaranteed by the Parent. The overdraft facilities are subject to cross guarantees within the Group. The bank loans and overdrafts bear interest at commercial rates linked to Sterling Overnight Index Average (SONIA) for sterling or equivalent for other currencies.

During the period the Group put in place a €30m bank facility in Spain, maturing in May 2022 which remains undrawn as at 31 December 2021.

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 of subordinated liabilities and senior unsecured bonds are calculated based on quoted prices.

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:

	2021			2020		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	£m	**£m**	**£m**	£m	£m	£m
Subordinated liabilities	**1,104**	**-**	**1,104**	1,424	-	1,424
Senior unsecured bonds	**608**	**44**	**652**	983	49	1,032
Bank loans and overdrafts	**-**	**196**	**196**	-	182	182
Total fair value	**1,712**	**240**	**1,952**	2,407	231	2,638

The Group does not have any Level 3 financial liabilities.

18 Leases

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 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. 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 reassessment 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 restoration costs, is typically depreciated on a straight-line basis over the lease term. 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 or less). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Lease liabilities

	2021 £m	2020 £m
At beginning of the year	**1,010**	1,062
Additions arising on business combinations	**2**	2
Additions	**50**	47
Disposals	**(10)**	-
Remeasurement	**39**	5
Interest on lease liabilities	**47**	54
Repayments	**(177)**	(180)
Transfer to liabilities associated with assets held for sale	**(2)**	(1)
Foreign exchange	**(44)**	21
At end of year	**915**	1,010
Non-current	**788**	885
Current	**127**	125

See note 26.4 for maturity analysis of lease liabilities.

Expenses
The Consolidated Income Statement includes expenses relating to short-term leases of £5m (2020: £nil) and expenses relating to leases of low-value assets of £1m (2020: £1m). Depreciation of right-of-use assets is reported in note 4. Interest on lease liabilities is 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 are 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 the 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 2021, potential discounted future cash outflows of £347m (2020: £368m) have not been included in the lease liability because it is not reasonably certain that the extension option will be exercised.

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 2021, potential discounted future cash outflows of £52m (2020: £51m) have not been included in the lease liability because it is not reasonably certain that the termination option will not be exercised.

Future lease commitments
The Group is committed to leases that have not yet commenced to the value of £26m as at 31 December 2021 (2020: £26m).

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 are estimated at £14m (2020: £13m).

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. A provision was established in 2020 in respect of Bupa Insurance Limited making a commitment to pass back to eligible customers any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19. At 31 December 2021, the return of premium provision held is £71m (2020: £145m). The net reduction in the provision reflects a £110m payment of rebates to eligible customers and an increase of £36m due to an increase in the best estimate of exceptional financial benefit during the year.

The return of premium provision reflects the best estimate of exceptional financial benefit ultimately arising from COVID-19 during the period 23 March 2020 to 31 December 2021. It is calculated by estimating the ultimate net reduction in claims costs due to the disruption caused by COVID-19, adjusted to take account of 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 estimated costs of deferred claims and COVID-19 related claims inflation expected to be incurred (£61m). The assumed level of deferred claims within the rebate is sensitive to the cost of healthcare and customer behaviour. A reasonably possible increase or decrease in this assumption results in a decrease/increase in the provision of £14m and an increase/decrease in profit before taxation by the same amount.

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.

As at 31 December 2021, an unexpired risk provision of £22m has been recognised (2020: £5m).

Provision for claims
The gross provision for claims represents the estimated liability arising from claims episodes 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. The provision includes an allowance for claims management and handling expenses. The gross provision for claims also includes a deferred claims provision 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.

The gross provision for claims across the Group is set in line with Bupa's Claims Reserving standards, at a level to achieve an appropriate probability of sufficiency and is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events.

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 level of prudence is set at a Group level, allowing the Group to benefit from a diversification benefit on the prudence margin held by the individual insurance entities in the Group.

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.

A deferred claims provision of £163m has been recognised as at 31 December 2021 (2020: £171m) 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 to pre-COVID-19 expectations. This has been recognised on based on the central estimate, together with an allowance for claims handling costs and an additional risk margin. The deferred claims provision is expected to be materially fully utilised over the next 12 months.

The key assumption in determining the deferred claims is the assumed deferral rate. An increase in the deferral rate by 10% would reduce profit before taxation by £47m.

	2021			2020		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
General insurance business						
Provisions for unearned premiums	**2,104**	**(24)**	**2,080**	2,094	(17)	2,077
Provisions for claims	**1,093**	**(9)**	**1,084**	1,083	(7)	1,076
Long-term business						
Life insurance contract liabilities	**36**	**-**	**36**	35	-	35
Total insurance provisions	**3,233**	**(33)**	**3,200**	3,212	(24)	3,188
Non-current	**50**	**-**	**50**	52	-	52
Current	**3,183**	**(33)**	**3,150**	3,160	(24)	3,136

Reinsurers' share of insurance provisions is included within note 12.

(i) Analysis of movements in provisions for unearned premiums

	2021			2020		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
At beginning of year	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922
Additions arising on business combinations	**9**	**-**	**9**	-	-	-
Premiums deferred	**9,354**	**(109)**	**9,245**	8,909	(97)	8,812
Movement in return of premium provision	**(74)**	**-**	**(74)**	145	-	145
Deferred premiums released to income	**(9,228)**	**102**	**(9,126)**	(8,908)	95	(8,813)
Increase in unexpired risk provision	**19**	**-**	**19**	5	-	5
Foreign exchange	**(70)**	**-**	**(70)**	6	-	6
At end of year	**2,104**	**(24)**	**2,080**	2,094	(17)	2,077

(ii) Analysis of movements in provisions for claims

	2021			2020		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
At beginning of year	**1,083**	**(7)**	**1,076**	865	(9)	856
Additions arising on business combinations	**3**	**-**	**3**	-	-	-
Increase for current year claims	**7,386**	**(79)**	**7,307**	6,639	(56)	6,583
Cash paid to settle claims	**(7,266)**	**76**	**(7,190)**	(6,576)	58	(6,518)
Decrease for prior year claims	**(33)**	**1**	**(32)**	(32)	(1)	(33)
Movement in deferred claims provision	**1**	**-**	**1**	171	-	171
Foreign exchange	**(81)**	**-**	**(81)**	16	1	17
At end of year	**1,093**	**(9)**	**1,084**	1,083	(7)	1,076

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 taxation 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**
2021		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£32m	£2m
2020		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£28m	£2m

1. The deferred claims provision of £163m (2020: £171m) has been excluded from this sensitivity.

These variances would reduce the amount of profit before taxation 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.

	2021 £m	2020 £m
Reinsurers' deposits	**8**	8
Reinsurance creditors	**61**	67
Commissions payable	**39**	31
Other insurance payables	**105**	56
Total other liabilities arising from insurance business	**213**	162

Included within other insurance payables is £57m related to the return of COVID-19 savings to customers of Bupa Health Insurance, Australia. It is expected that these payments will have been made by the end of February 2022.

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	Provision for underpayment of employee entitlement[1] £m	Property restoration provision £m	NHS dental contract clawback provision £m	Other £m	Total £m
At beginning of year (restated)[1]	**95**	**16**	**27**	**51**	**26**	**22**	**36**	**273**
Interest on obligations	-	-	-	-	1	-	-	**1**
Charge for year	48	2	10	14	3	21	79	**177**
Released in year	-	(4)	(8)	-	(2)	(8)	(7)	**(29)**
Utilised in year	(39)	(6)	(12)	-	(1)	(14)	(66)	**(138)**
Transfer to liabilities held for sale	(1)	-	-	-	-	-	-	**(1)**
Foreign exchange	(8)	-	(1)	(3)	-	-	(1)	**(13)**
Total provisions for liabilities and charges	**95**	**8**	**16**	**62**	**27**	**21**	**41**	**270**
Non-current	23	1	5	-	25	1	21	**76**
Current	72	7	11	62	2	20	20	**194**

1. Refer to note 1.5a for details of the restatement.

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.

Deferred and 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.

Provision for underpayment of employee entitlement
A provision has been established in respect of underpayments of employee entitlements affecting some current and former employees, following an extensive proactive pay compliance review carried out in Australia and New Zealand. Remediation payments are expected to be completed by the end of 2022.

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.

NHS dental contract clawback provision
A provision is held in respect of amounts that are expected to be deducted from future NHS contracts held by Bupa Dental Care UK, as a result of not meeting required treatment targets set by the NHS in the current contract period.

Other
Other provisions include regulatory provisions relating to levies payable to the Group’s various regulators, provision for ongoing costs relating to businesses disposed of in prior years and restructuring costs, and a refund liability relating to an Australian book of insurance business.

21 Trade and other payables

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

	Note	**2021 £m**	2020 £m
Accruals		**678**	683
Refundable accommodation deposits	(a)	**449**	503
Amounts owed to Parent		**100**	103
Trade payables		**242**	216
Other payables		**229**	247
Occupational right agreement liabilities	(b)	**302**	230
Deferred income and deferred revenue	(c)	**116**	109
Social security and other taxes		**54**	60
Total trade and other payables		**2,170**	2,151
Non-current		**36**	11
Current		**2,134**	2,140

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

The carrying value of 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 26.4.

(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 £116m (2020: £109m) includes £81m (2020: £74m) 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:

	2021 £m	2020 £m
At beginning of year	**74**	64
Revenue recognised in the period	**(155)**	(144)
Deferred revenue in the period	**165**	151
Foreign exchange	**(3)**	3
At end of year	**81**	74

Revenue recognised in the period includes £65m (2020: £64m) of revenue that was deferred at the beginning of the year. £75m (2020: £65m) of revenue deferred as at 31 December 2021 will be recognised during 2022 as the performance obligations are satisfied. £6m (2020: £9m) of revenue deferred as at 31 December 2021 will be recognised over the remaining contract period.

22 Restricted Tier 1 (RT1) notes

The RT1 notes meet the classification of equity and are presented as a separate category of equity in the Consolidated Statement of Financial Position at an amount equal to the proceeds of issue less transaction costs. RT1 coupons are recognised directly in the Consolidated Statement of Changes in Equity, net of tax, upon payment.

	2021 £m	2020 £m
Restricted Tier 1 notes	**297**	-

On 24 September 2021, the Company issued £300m of RT1 notes with a fixed coupon of 4.000% paid semi-annually in arrears. Transaction costs of £3m were recognised in respect of the issue. The total coupon paid during the year was £nil.

The RT1 notes are perpetual with no fixed maturity or redemption date. The notes have a first call date of 24 March 2032 and interest is payable at the sole and absolute discretion of the Company, with cancelled interest providing no rights to the holder of the notes nor being considered a default. The RT1 notes are therefore treated as equity. The notes are convertible to share capital of the Company on the occurrence of certain trigger events.

23 Equity

	2021 £m	2020 £m
Allocated, called up and fully paid		
200,050,000 ordinary shares of £1 each	**200**	200

24 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) 2021 acquisitions

During the period the Group made acquisitions for a total consideration of £48m, recognising net assets on acquisition of £62m.

In January 2021, the Group acquired Vitamedica, a health insurance provider in Mexico for a consideration of £16m. Net assets of £12m and resulting goodwill of £4m were initially recognised on acquisition; however, they were revised to £11m and £5m respectively following finalisation of the acquisition balance sheet in the second half of 2021.

In addition, the Group acquired the business and membership of Civil Service Healthcare Society Limited (CS Healthcare) in January 2021 for £nil consideration. Intangible assets consisting of customer relationships totalling £26m and other net assets totalling £16m have been recognised as part of the business combination. The resulting gain of £42m (initially £41m, adjusted upon finalisation of the acquisition balance sheet in the second half of 2021) has been recorded as a gain on acquisition of businesses within other income and charges (see note 2.4). This is gross of related transaction costs of £2m.

Further acquisitions were made in Poland for a total consideration of £32m of which £10m is deferred, largely to expand the Group's presence in outpatient clinics, diagnostic centres and hospitals. These included the acquisition of Citomed, an operator of outpatient facilities, diagnostic laboratories and a multi-specialist hospital in October, for a consideration of £19m; as well as the acquisition in September of an 88.7% controlling interest in Swissmed, a multi-specialist hospital for consideration of £11m. Total net assets of £9m were recognised for these acquisitions, with associated goodwill of £23m.

There was no adjustment to goodwill in respect of prior period acquisitions.

Included in the Group Consolidated Income Statement is revenue of £37m and a profit before taxation of £5m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2021, revenue of £12,919m and a profit before taxation of £538m would have been recorded by the Group for the year ended 31 December 2021.

The following table summarises acquisitions recognised during the year:

	Fair value £m
Intangible assets	34
Property, plant and equipment	21
Financial investments	2
Cash and cash equivalents	25
Trade and other receivables	12
Current tax asset	1
Restricted assets	1
Other interest-bearing liabilities	(4)
Deferred taxation liabilities	(1)
Trade and other payables	(17)
Provisions under insurance contracts issued	(12)
Net assets acquired	**62**
Net assets acquired	62
Goodwill	28
Gain arising on acquisition	(42)
Consideration	**48**
Consideration satisfied by:	
Cash	38
Deferred and contingent consideration	10
Total consideration paid	**48**
Purchase consideration settled in cash	38
Cash acquired on acquisition	(25)
Net cash outflow on acquisition	**13**
Settlement of deferred and contingent consideration	6
Net cash outflow associated with acquisitions	**19**

(b) 2021 disposals

On 4 August 2021, the Group completed the sale of its 70% stake in Ginemed, a provision business in Spain for consideration of £51m, with a loss on disposal of £1m recognised.

During the year the Group completed the sale of its rehabilitation business in New Zealand, realising a gain on disposal of £5m and realised a £3m gain on disposal of an equity accounted investment in Australia.

Within aged care, the Group disposed of care homes businesses in Sanitas Mayores for a consideration of £11m resulting in a gain on disposal of £3m, while Bupa Villages and Aged Care Australia disposed of care homes for a consideration of £33m, realising a gain on disposal of £1m.

(c) 2020 acquisitions

Minor acquisitions were made in the year ended 31 December 2020 in Australia & 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, 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 Income Statement for the year ended 31 December 2020 is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in 2020. If the acquisition date of the businesses acquired during the year had been 1 January 2020, revenue of £12,145m and a profit before taxation of £588m would have been recorded by the Group for the year ended 31 December 2020.

(d) 2020 disposals

During 2020 the Group disposed of three care home businesses in Australia for cash consideration of £23m, realising a net gain on disposal of £2m.

25 Capital management

The 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. All profits are reinvested to develop the Bupa's business for the benefit of current and future customers.

In the EU the Solvency II framework governs insurance industry regulation and prudential capital requirements. In the UK the Prudential Regulation Authority (PRA) continues to apply the Solvency II framework, following the end of the Brexit transition period on 31 December 2020.

Bupa is subject to the requirements of the Solvency II framework 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.

Bupa's SCR is calculated in accordance with the Standard Formula specified in the Solvency II framework. Bupa has obtained approval from the 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. A data adjustment was applied in the calculation of 2020 loss experience in light of the exceptional volatility in claims experienced as a result of COVID-19. The adjustment methodology has been approved by the PRA.

The capital positions of Bupa and its 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 external capital requirements. The ability of the Group's regulated entities to transfer funds to parent entities is subject to local solvency requirements.

Bupa has target ranges for solvency, leverage and interest cover ratios with a view to maintaining a strong long-term senior credit rating for the Company with Fitch and 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 all 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 (£7.1bn) 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 2021, Bupa's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.5bn[1] (2020: £4.0bn), which was in excess of the Group estimated SCR of £2.5bn[1] (2020: £2.5bn). This represented a solvency coverage ratio of 179%[1] (2020: 160%).

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

26 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 17-24.

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 financial risks associated with its insurance business and from its use of financial instruments. These have been categorised into the following types of financial 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

26.1 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 of claims experience 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 depends 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.

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.

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.

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 movements in the provisions for claims.

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 over time 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 the 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.

(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 man-made 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 reinsurance provided by third-party reinsurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure the overall adequacy of these arrangements.

26.2 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 the regulated entities in the UK and Australia. These assets totalled £632m as at 31 December 2021 (2020: £559m). 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).

26.2.1 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 presentational 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.

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 items include unearned premiums and deferred acquisition costs.

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, typically in the case of international private medical insurance. 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	
	2021	2020	**2021**	2020
Australian dollar	**1.83**	1.86	**1.86**	1.77
Brazilian real	**7.42**	6.61	**7.54**	7.10
Chilean peso	**1,045.64**	1,015.49	**1,152.93**	971.08
Danish krone	**8.65**	8.38	**8.84**	8.33
Euro	**1.16**	1.12	**1.19**	1.12
Hong Kong dollar	**10.69**	9.96	**10.55**	10.60
Mexican peso	**27.90**	27.53	**27.74**	27.19
New Zealand dollar	**1.95**	1.97	**1.98**	1.90
Polish zloty	**5.31**	4.99	**5.46**	5.10
Saudi riyal	**5.16**	4.82	**5.08**	5.13
Turkish lira	**12.22**	9.03	**17.97**	10.17
US dollar	**1.38**	1.28	**1.35**	1.37

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.

During the year, a correction to the cash flow hedge reserve of £21m has been recognised. The cash flow hedge reserve related to hedging of acquisitions and should have been reallocated to goodwill (£20m) and investments in associates (£1m) on initial application of IFRS 9 Financial Instruments. As at 31 December 2021, the cash flow hedge reserve amounts to £nil (2020: £21m).

(c) Net investment hedging

The Group hedges appropriate levels of its net asset exposures after taking into consideration key regulatory and financial metrics. To hedge the currency risk, the group designates the forward element of foreign currency forward and swap contracts as hedging instruments. The Group hedges the net investments only to the extent of the notional amount of the foreign exchange leg of the hedging derivative.

Changes in the fair value of the hedging instrument are initially recognised in other comprehensive income to the extent that the hedge is effective. Exchange differences arising on the consolidation of these net assets are deferred in equity until the foreign operation is disposed of or liquidated, when the differences are then recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

To assess hedge effectiveness, the group determines the economic relationship between the hedging instrument and the hedged items by comparing changes in the fair value of the hedging derivative with changes in the fair value of a hypothetical derivative. An amount equal to the excess of the cumulative change in the fair value of the hedging derivative over the cumulative change in the fair value of the hypothetical derivative, is recorded in the Consolidated Income Statement as ineffectiveness. Ineffectiveness is expected to arise from the effect of counterparty and the Group's credit risk on the fair value of the derivative which is not reflected in the hypothetical derivative. Ineffectiveness could also arise from currency basis, which is present in the hedging derivative but excluded from the hypothetical derivative.

Effect of foreign exchange hedging transactions

The table below shows the notional amounts and carrying values of the currency contracts held by the group to hedge its net investment in foreign operations as at the end of the year, along with the impact of net investment currency hedging activity.

	2021 £m	2020 £m
Notional amounts	**1,479**	1,312
Carrying amount – Assets	**29**	14
Carrying amount – Liabilities	**(5)**	(33)
Financial statement line item	**Derivatives**	Derivatives
Change in value used for calculating hedge ineffectiveness	**63**	(62)
Hedging gains/(losses) recognised in other comprehensive income	**62**	(62)
Hedge ineffectiveness recognised in Consolidated Income Statement	**1**	-
Consolidated Income Statement line item (for ineffectiveness)	**Financial expense**	Financial expense
Amount reclassified from foreign exchange 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	**63**	(62)
Amounts in reserves for continuing hedges	**63**	(62)

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**
2021			
Australian dollar	**2,402**	**(552)**	**1,850**
Euro	**909**	**(529)**	**380**
New Zealand dollar	**593**	**(242)**	**351**
US dollar	**271**	**(320)**	**(49)**
Other	**1,345**	**172**	**1,517**
Total foreign denominated net assets	**5,520**	**(1,471)**	**4,049**
Percentage of Group net assets	**78%**		**58%**

	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%		64%

The impact of a hypothetical strengthening/weakening of sterling against the currencies below, with all other variables constant, would have (decreased)/increased equity and profit by the amounts shown below. These tables consider both translation and transaction risk.

	Strengthening 10%		Weakening 10%	
	(Losses)/gains included in Consolidated Income Statement £m	**(Losses)/gains included in Equity £m**	**Gains/(losses) included in Consolidated Income Statement £m**	**Gains/(losses) included in Equity £m**
2021				
Australian dollar	**(17)**	**(168)**	**21**	**205**
Euro	**(14)**	**(35)**	**17**	**42**
New Zealand dollar	**(2)**	**(32)**	**2**	**39**
US dollar	**1**	**4**	**(1)**	**(5)**
Other	**(2)**	**(138)**	**3**	**169**
Total sensitivity	**(34)**	**(369)**	**42**	**450**

	Strengthening 10%		Weakening 10%	
	Losses included in Consolidated Income Statement £m	(Losses)/gains 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

26.2.2 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 asset balance on which the Group is exposed as at 31 December 2021 was £2,002m (2020: £2,184m). 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 £7m and profit by £6m (2020: decrease of £5m and £4m respectively). 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 2021 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. 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 bonds attributable to the hedged risk for the year ended 31 December 2021 amounted to a gain of £28m (2020: £nil). The fair value movement on the interest rate swaps amounted to a loss of £28m (2020: £nil) and the fair value and carrying value of this derivative is a £16m liability (2020: £12m asset).

26.2.3 IBOR reform

Interbank Offered Rates (IBORs), including the London Interbank Offered Rate (LIBOR), are widely accepted benchmark interest rates that represent the cost of unsecured short-term borrowing between large banks. IBORs are commonly referenced in loans, derivatives and other financial instruments, as well as being used by entities in their internal accounting processes.

A number of IBORs, in particular LIBOR, are subject to reform. The FCA announced that LIBOR rates would no longer be available beyond 31 December 2021. In 2019, Bupa constituted a project team to assess Bupa's exposure to those IBOR rates subject to reform. Actions were subsequently taken to remediate exposures prior to the withdrawal of reference rates. At 31 December 2021 the following milestones had been achieved:

- All exposures relating to IBORs subject to reform have been transitioned to alternative risk-free rates (Alternative RFRs). These include exposures to financial investments, derivatives, external debt and intra-group borrowings.
- Alternative RFRs are now used within actuarial processes.
- Alternative RFRs are now used in the calculation of incremental borrowing rates used for lease accounting.

During the year, the Group transitioned the swaps used as hedging instruments in its £600m fair value interest rate hedges from a LIBOR basis to a Sterling Overnight Index Average (SONIA) basis. As the changes made relate only to IBOR reform, this did not result in the discontinuation of existing hedging relationships or the designation of a new hedging relationship.

26.3 Credit risk

Credit risk is the risk that those that are in debt to the Group default on their obligations. 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:

	2021 £m	2020 restated[1] £m
Investment grade counterparties	**4,209**	4,221
Non-investment grade counterparties	**599**	499
Total	**4,808**	4,720

1. Refer to note 1.5e for details of the restatement.

Investment grade counterparties include restricted assets of £158m (2020: £149m). 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 £488m (2020: £432m restated), and cash and cash equivalents of £92m (2020: £73m restated).

Assets pledged as security include £158m (2020: £149m) 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**
2021						
AAA	**75**	**196**	**-**	**-**	**1**	**76**
AA- to AA+	**41**	**176**	**527**	**-**	**-**	**604**
A- to A+	**-**	**378**	**449**	**-**	**155**	**908**
BBB- to BBB+	**61**	**11**	**20**	**-**	**2**	**58**
BB+ and below (below investment grade)	**66**	**79**	**49**	**1**	**-**	**93**
Total	**243**	**840**	**1,045**	**1**	**158**	**1,739**
Loss allowance[1]	**(2)**	**-**	**(1)**	**-**	**-**	**-**
Carrying amount	**241**	**840**	**1,044**	**1**	**158**	**1,739**

1. In addition a provision for expected credit losses on financial investments at FVOCI of £2m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans restated[1] £m	Deposits with credit institutions restated[1] £m	Other loans £m	Restricted assets £m	Cash and cash equivalents[1] £m
2020						
AAA	29	197	-	-	-	12
AA- to AA+	26	206	511	-	-	560
A- to A+	-	339	578	-	149	915
BBB- to BBB+	20	15	3	-	-	146
BB+ and below (below investment grade)	68	114	54	1	-	73
Total	143	871	1,146	1	149	1,706
Loss allowance[2]	(2)	(1)	(4)	-	-	-
Carrying amount	141	870	1,142	1	149	1,706

1. Refer to note 1.5e for details of the restatement.
2. In addition a provision for expected credit losses on financial investments at FVOCI of £4m 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**
2021						
Insurance debtors gross value	**1,076**	**97**	**24**	**14**	**14**	**1,225**
Bad debt provision	**(2)**	**(8)**	**(6)**	**(5)**	**(6)**	**(27)**
Insurance debtors net value[1]	**1,074**	**89**	**18**	**9**	**8**	**1,198**
Trade and other receivables gross value	**228**	**156**	**46**	**50**	**67**	**547**
ECL	**(3)**	**(3)**	**(4)**	**(4)**	**(15)**	**(29)**
Trade and other receivables net value[2]	**225**	**153**	**42**	**46**	**52**	**518**

	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	250	145	31	35	61	522
ECL	(2)	(3)	(1)	(5)	(17)	(28)
Trade and other receivables net value[2]	248	142	30	30	44	494

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.

Information regarding the Expected Credit Loss allowance by class of financial investments held at fair value through other 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**
2021	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At beginning of year	**143**	**(6)**	**871**	**(1)**	**1,146**	**(4)**	**1**	**-**	**522**	**(28)**	**1,210**	**(27)**	**149**	**-**	**1,706**	**-**
Recognition and settlement	**103**	**-**	**(23)**	**1**	**(62)**	**3**	**-**	**-**	**66**	**(4)**	**56**	**(1)**	**9**	**-**	**125**	**-**
Transfer from assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and other	**(3)**	**2**	**(8)**	**-**	**(39)**	**-**	**-**	**-**	**(39)**	**3**	**(41)**	**1**	**-**	**-**	**(92)**	**-**
At end of year	**243**	**(4)**	**840**	**-**	**1,045**	**(1)**	**1**	**-**	**547**	**(29)**	**1,225**	**(27)**	**158**	**-**	**1,739**	**-**

	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
			restated[3]		restated[3]											
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	-	534	(45)	1,250	(18)	117	-	1,234	-
Recognition and settlement	(31)	(2)	216	-	251	(3)	-	-	(85)	18	(41)	(9)	32	-	219	-
Write backs	-	-	-	-	-	-	-	-	26	-	-	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	6	-	-	-	45	(1)	-	-	-	-	228	-
Foreign exchange and other	(8)	-	(4)	-	23	-	-	-	2	-	1	-	-	-	25	-
At end of year	143	(6)	871	(1)	1,146	(4)	1	-	522	(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.
3. Refer to note 1.5e for details of the restatement.

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

				Related amounts not set off in the balance sheet		
2021	**Gross amounts of recognised financial assets/(liabilities) £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**	**Financial instruments £m**	**Cash collateral received £m**	**Net amount £m**
Derivative financial assets	**41**	**-**	**41**	**(15)**	**(19)**	**7**
Derivative financial liabilities	**(35)**	**-**	**(35)**	**15**	**3**	**(17)**
Cash and cash equivalents	**1,939**	**(200)**	**1,739**	**-**	**-**	**1,739**
Total	**1,945**	**(200)**	**1,745**	**-**	**(16)**	**1,729**

				Related amounts not set off in the balance sheet		
2020	Gross amounts of recognised financial assets/(liabilities) £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	Financial instruments £m	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

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.

26.4 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 a £900m revolving credit facility which has a maturity of December 2026 with two, one-year extension options. The facility replaced an £800m revolving credit facility (2020: undrawn) and a separate £40m bilateral facility (2020: fully drawn down). The new facility was drawn down by £150m as at 31 December 2021.

During the period the Group put in place a €30m bank facility in Spain, maturing in May 2022 which remains undrawn as at 31 December 2021.

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 2021 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 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**
As at 31 December 2021								
2022	**(46)**	**(205)**	**(164)**	**(3,183)**	**(213)**	**(1,993)**	**(17)**	**(5,821)**
2023	**(291)**	**(15)**	**(147)**	**(50)**	**-**	**(5)**	**-**	**(508)**
2024	**(35)**	**(312)**	**(125)**	**-**	**-**	**(1)**	**(2)**	**(475)**
2025	**(35)**	**(9)**	**(107)**	**-**	**-**	**(1)**	**-**	**(152)**
2026	**(435)**	**(9)**	**(95)**	**-**	**-**	**-**	**-**	**(539)**
2027-2031	**(72)**	**(321)**	**(341)**	**-**	**-**	**-**	**(16)**	**(750)**
After 2031	**(400)**	**(8)**	**(226)**	**-**	**-**	**-**	**-**	**(634)**
Total	**(1,314)**	**(879)**	**(1,205)**	**(3,233)**	**(213)**	**(2,000)**	**(35)**	**(8,879)**
Carrying value in the Consolidated Statement of Financial Position	**(997)**	**(822)**	**(915)**	**(3,233)**	**(213)**	**(2,000)**	**(35)**	**(8,215)**

	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
As at 31 December 2020								
2021	(59)	(455)	(172)	(3,160)	(162)	(1,971)	(59)	(6,038)
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)	(1,982)	(77)	(9,680)
Carrying value in the Consolidated Statement of Financial Position	(1,247)	(1,191)	(1,010)	(3,212)	(162)	(1,982)	(77)	(8,881)

1. Comprises trade payables, other payables, occupational rights agreement liabilities, refundable accommodation deposits, amounts due to Parent 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), 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**
As at 31 December 2021						
2022	**1,739**	**997**	**206**	**506**	**373**	**3,821**
2023	**-**	**43**	**33**	**169**	**-**	**245**
2024	**-**	**-**	**12**	**115**	**-**	**127**
2025	**-**	**5**	**1**	**95**	**-**	**101**
2026	**-**	**-**	**4**	**178**	**8**	**190**
2027-2031	**-**	**-**	**20**	**109**	**5**	**134**
After 2031	**-**	**-**	**12**	**23**	**-**	**35**
Total	**1,739**	**1,045**	**288**	**1,195**	**386**	**4,653**

	Cash and cash equivalents £m	Deposits with credit institutions restated[1] £m	Government debt securities £m	Corporate debt securities and other loans restated[1] £m	Pooled Investment funds £m	Total £m
As at 31 December 2020						
2021	1,706	888	109	541	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	1,147	190	1,234	301	4,578

1. Refer to note 1.5e for details of the restatement.

27 Related party transactions

Related party transactions 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.

(i) 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 2021 (2020: £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:

	2021 £'000	2020 £'000
Short-term employee benefits	**4,332**	3,489
Long Term Incentive Plan awards	**2,749**	3,551
Post-employment benefits	**101**	118
Total	**7,182**	7,158

The total remuneration of key management personnel is included in staff costs (see note 2.3).

28 Commitments, contingencies and guarantees

A commitment is future expenditure that is committed to as at 31 December 2021. 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 2021 but for which no provision has been made in the financial statements, amounted to £68m (2020: £112m). Of this, £67m (2020: £111m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically, £29m (2020: £37m) in relation to property, plant and equipment and £38m (2020: £74m) in relation to investment property. A further £1m (2020: £nil) commitment relates to computer software projects, with £nil (2020: £1m) committed in relation 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, consumer matters, other disputes, regulatory compliance (including data protection) and interpretation of law (including employment 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.

29 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 2021

Balance Sheet
as at 31 December 2021

	Note	2021 £m	2020 (restated)[1] £m
Assets			
Property, plant and equipment	B	**32**	35
Investment in subsidiaries	C	**4,961**	5,951
Restricted assets	D	**45**	48
Derivative assets	E	**29**	22
Deferred taxation assets	F	**5**	4
Trade and other debtors	G	**66**	47
Cash and cash equivalents	H	**13**	108
Total assets		**5,151**	6,215
Liabilities			
Borrowings	I	**(1,727)**	(2,246)
Lease liabilities	J	**(30)**	(33)
Derivative liabilities	E	**(24)**	(34)
Trade and other creditors	K	**(2,718)**	(3,446)
Total liabilities		**(4,499)**	(5,759)
Net assets		**652**	456
Equity			
Called up share capital	L	**200**	200
Profit and loss account		**155**	256
Total attributable to ordinary shareholder		**355**	456
Restricted Tier 1 notes	M	**297**	-
Total equity		**652**	456

1. Refer to part (b) of the Company accounting policies for details of the restatement.

Approved by the Board of Directors and signed on its behalf on 7 March 2022 by

James Lenton

Director

Registered number 2779134

Notes A-P form the associated notes to the Company financial statements.

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital	Profit and loss account	Total equity attributable to shareholder	Restricted Tier 1 notes	Total equity
	£m	£m	£m	£m	£m
Balance as at 1 January 2021	**200**	**256**	**456**	**-**	**456**
Comprehensive loss for the year					
Loss for the year	**-**	**(49)**	**(49)**	**-**	**(49)**
Total comprehensive loss for the year	**-**	**(49)**	**(49)**	**-**	**(49)**
Transactions with owners, recorded directly in equity					
Dividends	**-**	**(52)**	**(52)**	**-**	**(52)**
Total distributions to owners	**-**	**(52)**	**(52)**	**-**	**(52)**
Issue of Restricted Tier 1 notes	**-**	**-**	**-**	**297**	**297**
Balance as at 31 December 2021	**200**	**155**	**355**	**297**	**652**
Balance as at 1 January 2020	200	735	935	-	935
Comprehensive loss for the year					
Loss for the year (restated)[1]	-	(304)	(304)	-	(304)
Total comprehensive loss for the year (restated)[1]	-	(304)	(304)		(304)
Transactions with owners, recorded directly in equity					
Dividends	-	(175)	(175)	-	(175)
Total distributions to owners	-	(175)	(175)	-	(175)
Balance as at 31 December 2020	200	256	456	-	456

1. Refer to part (b) of the Company accounting policies for details of the restatement.

Notes A-P form the associated notes to the Company financial statements.

Basis of preparation

Bupa Finance plc (the 'Company'), is a company incorporated in England and Wales. The Company's immediate and ultimate parent undertaking 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') as adopted by the UK and 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.

Company accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Accounting estimates and judgements

The impairment review of investments in subsidiaries is a source of significant estimation uncertainty. Annual impairment tests include a number of sources of estimation uncertainty as the key assumptions used when modelling the recoverable amount include estimating the discount rate, terminal growth rate and the forecast cash flows. Changes to these assumptions could materially change the calculation of the recoverable amount.

(b) Restatements and changes in accounting policies

Following the restatement detailed below, the Company has consistently applied its accounting policies to all periods presented in these Financial Statements.

During the year, the Company identified an error in the comparative year calculation of recoverable amount for certain investments in subsidiaries. The calculation has been reperformed using a corrected methodology. This indicated that impairments should have been recognised in the comparative year. The comparative year has been restated for the error resulting in the impacts shown in the table below.

31 December 2020	As published £m	Restatements £m	As restated £m
Loss for the year	(63)	(241)	**(304)**
Total impact on loss for the year		(241)	
Investment in subsidiaries	6,192	(241)	**5,951**
Total impact on net assets		(241)	
Profit and loss account	497	(241)	**256**
Total impact on equity		(241)	

(c) Going concern

The Directors have a reasonable expectation that the Company has access to 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.

(d) 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).

(e) 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.

(f) 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:

- 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
- 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.

(g) 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.

(h) 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.

(i) 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.

(j) Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence of such an asset being impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the profit and loss account.

When any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, the recoverable amount of an investment is assessed. Should the recoverable value exceed the carrying value an impairment reversal is recognised in the profit and loss account, up to the value of previously recorded impairments.

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.

(k) 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).

(l) 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.

(m) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

(n) 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.

(o) 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.

(p) Restricted Tier 1 (RT1) debt
The RT1 notes meet the classification of equity and are presented as a separate category of equity in the Balance Sheet at an amount equal to the proceeds of issue less transaction costs. RT1 coupons are recognised directly in the Statement of Changes in Equity, net of tax, upon payment.

(q) 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.

(r) 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.

(s) 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.

Profit/loss attributable to the Company
The loss within the accounts of the Company is £49m (2020: loss of £304m (as restated, see note 1(b)). 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 2021 (2020: nil) and had four Directors as at 31 December (2020: four). During the year six individuals served as Directors (2020: four). Details of Directors serving during the year can be found on page 2.

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

	2021				2020			
	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**	32	9	2	43
Disposals	**-**	**-**	**(1)**	**(1)**	-	-	-	-
At end of year	**32**	**9**	**1**	**42**	32	9	2	43
Depreciation and impairment loss								
At beginning of year	**5**	**2**	**1**	**8**	2	2	1	5
Depreciation charge for year	**2**	**1**	**-**	**3**	3	-	-	3
Disposals	**-**	**-**	**(1)**	**(1)**	-	-	-	-
At end of year	**7**	**3**	**-**	**10**	5	2	1	8
Net book value at end of year	**25**	**6**	**1**	**32**	27	7	1	35
Net book value at beginning of year	27	7	1	35	30	7	1	38

C. Investment in subsidiaries

2021	**At beginning of year**	**Provision**	**Additions**	**Redemptions/ Repayments**	**Foreign exchange revaluation**	**At end of year**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group undertakings:						
Shares in subsidiary undertakings	**5,943**	**-**	**616**	**(850)**	**(121)**	**5,588**
Loans to Group companies	**795**	**-**	**9**	**(617)**	**-**	**187**
	6,738	**-**	**625**	**(1,467)**	**(121)**	**5,775**
Provision for impairment	**(787)**	**(27)**	**-**	**-**	**-**	**(814)**
Net book value	**5,951**	**(27)**	**625**	**(1,467)**	**(121)**	**4,961**

2020	At beginning of year	Provision (restated)[1]	Additions	Redemptions/ Repayments	Foreign exchange revaluation	At end of year (restated)[1]
	£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 (restated)[1]	(514)	(273)	-	-	-	(787)
Net book value (restated)[1]	6,055	(273)	397	(336)	108	5,951

1. Refer to note 1(b) for details of the restatement.

During the year the Company capitalised £616m of loans to Group companies to shares in subsidiary undertakings. In addition, the Company redeemed £850m of preference shares in subsidiary undertakings. Loans to Group companies comprise loan facilities of a fixed amount and a long-term maturity date, with the movements in the year driven principally by capitalised interest and the loan capitalisation during the year.

During 2021 an additional £24m provision was recognised in relation to the shareholding in Bupa Care Homes (CFG) plc and an additional £3m provision was recognised in relation to Bupa Care Homes Investments (Holdings) Limited.

During 2020 a provision of £273m was recognised (as restated, refer to part (b) of the Company accounting policies for details) in relation to shareholdings in Bupa Care Homes (CFG) plc, Cromwell Health Group Limited, Bupa Care Homes Investments (Holdings) Limited and Bupa Care Homes (Holdings) Limited.

The subsidiary undertakings of the Company as at 31 December 2021 are listed in note P.

D. Restricted assets

	2021 £m	2020 £m
Restricted assets	**45**	48

The restricted assets balance of £45m (2020: £48m) consists of cash deposits held to secure a charge over the unfunded pension scheme obligations held in the Parent.

E. Derivative assets and liabilities

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.

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 issued by the Company.

Derivatives are held at fair value through profit or loss, and therefore the carrying value is equal to the fair value.

	2021 £m	2020 £m
Derivative assets		
Non-current	**5**	8
Current	**24**	14
Total derivative assets	**29**	22
Derivative liabilities		
Non-current	**(18)**	-
Current	**(6)**	(34)
Total derivative liabilities	**(24)**	(34)

Valuation techniques and assumptions applied for the purposes of measuring fair value
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.

Fair values are obtained from market observable pricing information including interest rate yield curves.

F. Deferred taxation assets

	2021 £m	2020 £m
Taxation value of losses carried forward	**5**	4

G. Trade and other debtors

	2021 £m	2020 £m
Amounts owed by subsidiary companies	**25**	25
Other trade and other debtors	**41**	22
Total trade and other debtors	**66**	47

All balances are current.

H. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**1**	1
Short-term deposits	**12**	107
Cash and cash equivalents	**13**	108

I. Borrowings

	Note	2021 £m	2020 £m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	**997**	1,247
Total subordinated liabilities		**997**	1,247
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	**582**	960
Bank loans	(c)	**148**	39
Total other interest-bearing liabilities		**730**	999
Total borrowings		**1,727**	2,246
Current		**148**	390
Non-current		**1,579**	1,856

a) Subordinated unguaranteed bonds
The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £997m (2020: £1,247m).

On 24 September 2021, the Company early redeemed £250m of £500m unguaranteed subordinated bonds originally due to mature on 25 April 2023. Maturity of the remaining £250m portion is unchanged and interest is payable on the bonds at 5.00% 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.

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 5.00% 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.

The Company has not had any defaults of principal, interest or other breaches with respect to subordinated liabilities during 2021 or 2020.

b) Senior unsecured bonds
The total senior unsecured bonds balance of £582m (2020: £960m) is net of initial issue costs, discount on issue, accrued interest and, where hedged, a fair value adjustment in respect of hedged interest rate risk.

On 17 June 2021, the Company repaid £350m of senior unsecured bonds. Interest was payable on the bonds at 3.375% per annum.

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% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £284m (2020: £300m). 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 2.00% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £298m (2020: £310m). 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.

c) Bank loans
Bank loans of £148m (2020: £39m) include drawings, net of issue costs of £150m (2020: £nil) under a new £900m revolving credit facility, maturing December 2026, which replaced an £800m revolving credit facility (2020: undrawn) and a separate £40m bilateral loan facility (2020: fully drawn down).

The drawings under the £900m 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 SONIA for sterling or equivalent for other currencies.

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.

	2021 £m	2020 £m
At beginning of the year	**33**	35
Interest on lease liability	**1**	1
Repayments	**(4)**	(3)
At end of year	**30**	33
Current	**3**	3
Non-current	**27**	30

K. Trade and other creditors

	2021 £m	2020 £m
Amounts owed to subsidiary undertakings	**2,714**	3,436
Other creditors	**4**	10
Total trade and other creditors	**2,718**	3,446

All balances are current.

L. Called up share capital

	2021 £m	2020 £m
Allocated, called up and fully paid		
200,050,000 ordinary shares of £1 each	**200**	200

M. Restricted Tier 1 (RT1) notes

The RT1 notes meet the classification of equity and are presented as a separate category of equity in the Balance Sheet at an amount equal to the proceeds of issue less transaction costs. RT1 coupons are recognised directly in the Statement of Changes in Equity, net of tax, upon payment.

	2021 £m	2020 £m
Restricted Tier 1 notes	**297**	-

On 24 September 2021, the Company issued £300m of RT1 notes with a fixed coupon of 4.000% paid semi-annually in arrears. Transaction costs of £3m were recognised in respect of the issue. The total coupon paid during the year was £nil.

The RT1 notes are perpetual with no fixed maturity or redemption date and interest is payable at the sole and absolute discretion of the Company, with cancelled interest providing no rights to the holder of the notes nor being considered a default. The RT1 notes are therefore treated as equity. The notes are convertible to share capital on the occurrence of certain trigger events.

N. 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 2021, the Company was party to a £900m multi-currency revolving credit facility. The Company has joint and several liability for all obligations under the multi-currency revolving credit facility described in note I(c). The revolving credit facility was drawn down by £150m as at 31 December 2021 (2020: £800m facility which was undrawn).

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.

O. Ultimate Parent

The Company's immediate and 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 The British United Provident Association Limited can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

P. 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 2021, 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 indirectly 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
Benefit Pocket Pty Ltd	AUD Ordinary
Bupa Aged Care Australasia Pty Limited	AUD Ordinary
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 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	
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

Name of Undertaking	Share Class
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[5]	£1.00 Ordinary
Bupa LeaseCo. (Guernsey) Limited[1]	£1.00 Ordinary
UK Care No. 1 Limited	£1.00 Ordinary
Ireland	
1st Floor, 9 Exchange Place, I.F.C.S, Dublin 1, Ireland	
GK Medical and Dental Services Limited	€1.00 Ordinary
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
Mexico	
Av. Xola 535, Piso 17, Col. Del Valle, Mexico City, CP 03100, Mexico	
Corporativo Vitamedica, S.A. De C.V.	MXN10.00 Ordinary
Servicios Vitamedica, S.A. De C.V.	MXN10.00 Ordinary
Vitamedica Administradora, S.A. De C.V.	MXN Class I, Series A (Fixed), MXN Class I, Series B (Fixed), MXN Class II, Series A (Variable)

[1] Held directly by the Company
[2] 0.000025% held by nominee
[3] 0.017% held directly by the Company
[4] 1% held directly by the Company
[5] Strike off requested

Name of Undertaking	Share Class
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.[1]	MXN Ordinary, MXN Ordinary (Variable)
New Zealand	
Bupa House, Level 2, 109 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand	
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
Bupa Servicios Panama, S.A.	US$1.00 Common
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
Curie-Sklodowskiej 73 Street, 87-100, Torun, Poland	
Citomed Sp. z.o.o.	PLN1,000.00 Ordinary
Lecznice Citomed Sp. z.o.o.	PLN50.00 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
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.	PLN50.00 Ordinary
Rowninna 6 Street, 87-100 Torun, Poland	
Citomed Sp. z.o.o. Sp. k.	Partnership Interest
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

[1] 0.03% held directly by the Company

Name of Undertaking	Share Class
ul. Postepu 21 C Street, 02-676, Warsaw, Poland	
Elblaska Sp. z.o.o.	PLN50.00 Ordinary
LUX MED Foundation Dr. Joanny Perkowicz	Founder Contribution
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.	PLN50.00 Ordinary
Zygmunta Slominskiego, 5/U05 Street, Warsaw, Poland	
Smile Design Clinic Sp. z.o.o.	PLN100.00 Ordinary
Saint Kitts and Nevis	
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis	
Amedex Services Ltd.	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, 34750, 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 (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

[1] Held directly by the Company

Name of Undertaking	Share Class
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
Bupa Care Homes (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 Homes Investments (Holdings) Limited[1]	£1.00 Ordinary
Bupa Care Services (Commissioning) 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 Home Healthcare Pension Scheme Trustee 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 Ordinary
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
Cromwell Hospital Retirement Plan Trustee Limited[1]	£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 (Property) Limited	£1.00 Ordinary
Richmond Care Villages Holdings Limited[1]	£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
Apex Dental Care 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

[1] Held directly by the Company

Name of Undertaking	Share Class
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
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
Croft Dental Care 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
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

Name of Undertaking	Share Class
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
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
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
Stob Dearg Limited	£1.00 Ordinary
Stop the Clock 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 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
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
U.S.A. Medical Services Corporation	US$5.00 Capital Stock

[1] Held directly by the Company

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
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, Virgin Islands, British		
Altai Investments Limited	HKD1.00 Ordinary, 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	97.59
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	99.75
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	88.95
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		
Suite 07-2, 08, 4F Fortune Financial Center, No 5 Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100020, 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		
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

Name	Share Classes	Actual % of share class held
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
Jadeast Limited	HKD1.00 Ordinary	100.00
Jadison Investment Limited	HKD1.00 Ordinary	100.00
Jadway International Limited	HKD1.00 Ordinary	100.00
Megafaith International Limited	HKD1.00 Ordinary	100.00
Quality Healthcare Chinese Medicine Services Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Dental Services Limited	HKD1.00 Ordinary	100.00
Quality Healthcare Group Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Medical Centre Limited	HKD100.00 Ordinary	100.00
Quality Healthcare Medical Diagnostic & Imaging Services Limited	HKD1.00 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		
C-98 Lajpat Nagar, Part 1, New Delhi, 11002, India		
Niva Bupa Health Insurance Company Limited	INR10.00 Ordinary	44.75
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		
Goszczyńskiego 1, 02-616, Warsaw, Poland		
Hifu Clinic Sp. z.o.o.	PLN50.00 Ordinary	70.16
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	95.80
ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland		
Lux Med Tabita Sp. z.o.o.	PLN100.00 Ordinary	88.00
Wileńska, 44 Street, 80-215, Gdańsk		
Fundacja Promedicine	Founder Contribution	100.00
Swissmed Centrum Zdrowia S.A.	PLN10.00 Ordinary	66.00
Swissmed Nieruchomosci Sp. z.o.o.	PLN500.00 Ordinary	100.00
Swissmed Opieka Sp. z.o.o.	PLN1,000.00 Ordinary	99.24
Saudi Arabia		
7764, Prince Sultan Street, Al Mohammediyah district, Jeddah, Saudi Arabia		
My Clinic International Medical Company Limited	SAR100.00 Ordinary	100.00
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

Name	Share Classes	Actual % of share class held
Spain		
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
4th Floor, 167 Fleet Street, London, EC4A 2EA		
Healthbox Europe 1 LP	Partnership Interest	37.04
Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, England, TW18 3BA, United Kingdom		
Healthcode Limited[2]	£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	17.91
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
[2] Held directly by the Company

Five-year financial summary (unaudited)

The five-year financial summary is presented to better understand trends.

	2021 £m	2020 (restated)[1,2] £m	2019 (restated)[1] £m	2018 (restated)[1] £m	2017 (restated)[1] £m
Revenue – segmental analysis					
Bupa Asia Pacific (restated)[1,2]	**5,498**	5,249	5,136	5,069	5,326
Europe and Latin America	**4,004**	3,765	3,853	3,499	3,346
Bupa Global and United Kingdom	**3,396**	3,122	3,323	3,288	3,537
Other businesses (restated)[2]	**5**	6	4	4	41
Net reclassifications to other expenses or financial income and expenses	**-**	-	-	(1)	(1)
Consolidated total revenues	**12,903**	12,142	12,316	11,859	12,249
Claims and expenses					
Operating expenses (including claims)	**(12,296)**	(11,532)	(11,733)	(11,112)	(11,399)
Impairment of goodwill	**(6)**	-	(422)	(35)	(1)
Impairment of other intangible assets arising on business combinations	**(21)**	(18)	(21)	(4)	(16)
Other income and charges	**49**	1	(42)	(53)	(99)
Total claims and expenses	**(12,274)**	(11,549)	(12,218)	(11,204)	(11,515)
Profit before financial income and expense	**629**	593	98	655	734
Net financial expense (restated)[2]	**(92)**	(105)	(63)	(41)	(8)
Profit before taxation expense	**537**	488	35	614	726
Taxation expense (restated)[2]	**(99)**	(112)	(154)	(211)	(155)
Profit/(loss) for the year	**438**	376	(119)	403	571
Attributable to:					
Shareholder of Bupa Finance plc	**435**	374	(121)	397	567
Non-controlling interests	**3**	2	2	6	4
Profit/(loss) for the year	**438**	376	(119)	403	571
Equity					
Share capital	**200**	200	200	200	200
Property revaluation reserve	**655**	699	692	700	796
Income and expenditure reserve (restated)[2]	**5,884**	5,498	5,310	5,640	5,221
Cash flow hedge reserve	**-**	21	21	20	22
Foreign exchange translation reserve (restated)[2]	**(13)**	263	237	464	558
Equity attributable to shareholder of Bupa Finance plc	**6,726**	6,681	6,460	7,024	6,797
Restricted Tier 1 notes	**297**	-	-	-	-
Non-controlling interests	**17**	18	17	20	30
Total equity	**7,040**	6,699	6,477	7,044	6,827

1. Revenues have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021.
2. Refer to note 1.5 for details of the restatements.