

BUPA FINANCE PLC

(Company number 2779134)

Directors' report and financial statements
for the financial year ended 31 December 2023

Bupa Finance plc

Registered number: 2779134

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Bupa Finance plc
Registered number: 2779134

Directors and Officers

Directors

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G M Evans
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Strategic Report

For the year ended 31 December 2023

The Directors present their Report for the year ended 31 December 2023 for Bupa Finance plc, a company registered in England as a public company limited by shares (the 'Company'), and its subsidiary companies (together referred to as the 'Group'). The immediate and ultimate parent of the Company is The British United Provident Association Limited (the 'Parent') which is also the ultimate parent company of the Bupa Group ('Bupa').

Strategic Report

Principal activities

The Company is a part of the Bupa Group, which is an 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 50 million customers worldwide¹. With no shareholders, Bupa Group reinvests profits into providing more and better healthcare for the benefit of current and future customers.

Through 2023, we directly employed around 87,000² people, principally in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Türkiye, Brazil, Mexico, the US, Middle East and Ireland. We also have an associate business in Saudi Arabia. From 2024 onwards, our associate business in India, Niva Bupa, will become part of Bupa Global and UK following the acquisition of a majority shareholding in January 2024.

Business model

Our businesses	What we do
Health insurance 72% of revenue 29.7m Insurance customers worldwide	- Our main business is health insurance for corporate customers, small and medium-sized enterprises (SMEs) and for individual customers. - We provide health insurance and funding products to customers in the UK, Australia, Spain, Chile, Poland, Hong Kong SAR, Türkiye, Brazil and Mexico and via our associate businesses in Saudi Arabia and India. - We also offer international private medical insurance (IPMI) through our Bupa Global businesses. - We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong SAR, Brazil and through Bupa Global.
Health Provision 20% of revenue 20.3m provision customers worldwide	- We operate health facilities in Spain, Chile, Poland, the UK, Brazil, Hong Kong SAR and Australia, and in our associate business in Saudi Arabia. Services include health assessments, GP services, physiotherapy and outpatient clinics. - We provide digital GP services, care triage and consultation, mental health coaching and support, and chronic care management. We provide optical services in Australia. - We run hospitals in Spain, Mexico, Chile, Poland and the UK. - We have dental centres across the UK, Ireland, Australia, Spain, Chile, Poland, Brazil and Hong Kong SAR.
Aged care 8% of revenue 20,846 residents in our care homes	- Our aged care services comprise care homes, retirement villages, day centres and home care. - We provide care to our residents in Australia, New Zealand, the UK and Spain.

Financial headlines³

- Revenue^{4,5} of £15.1bn was up 9% (2022: £13.9bn) at Constant Exchange Rates (CER)⁶ with period-on-period growth across all lines of business and Market Units driven by:

¹ Customer counting methodologies may vary between Business Units.

² Based on average number of employees during the year and including 16,000 colleagues in Poland who are engaged under contract for service arrangements.

³ Financial results are based on the new accounting standard for insurance contracts, IFRS 17 and the updated definition of underlying profit, with prior period comparators restated where applicable. See Note 1.5 for further detail.

⁴ Revenues from associate businesses are excluded from reported figures. Customer numbers include 100% of our associate figures. Economic post-tax profits include the associate contribution in line with our shareholding.

⁵ Revenue calculated based on the aggregation of "insurance revenue" and "total non-insurance revenue" as shown in the Consolidated Income Statement.

⁶ Constant exchange rate (CER) financials are the retranslation of the prior year Actual Exchange Rates (AER) financials based on the current financial years average rate.

Strategic Report

For the year ended 31 December 2023

- Customer volume growth with health insurance customers increasing by over five million⁷ and provision customers by one million. Occupancy rates in aged care increasing by 4ppt to 92% exceeding pre-COVID levels (2019: 88%); and
- The impact of pricing action, as we seek to balance elevated levels of inflation, remaining competitive for our customers and maintaining discipline in our underwriting of insurance risk.
- Underlying profit⁸ before taxation of £747m, was up 2% at CER (2022: £730m) as strong customer growth and higher investment returns were offset by lower profits in Australia Health Insurance, due to timing differences between the recognition of COVID-19 claims savings and returns made to customers as part of our COVID-19 support programme introduced during the pandemic. In 2023 the cost of returning claim savings (accumulated through the pandemic) to customers increased to £312m (2022: £240m)⁹. The amount of COVID-19 claim savings realised diminished in 2023 relative to 2022 as claims frequency increased following the pandemic. In 2022 we also recognised £117m of tangible asset impairments in UK Dental, which was not repeated in 2023.
- Statutory profit before taxation of £717m increased by £986m at AER (2022: £(269)m loss) driven by a significant reduction in non-underlying items following £888m of impairments in 2022.
- The Bupa Group's Solvency II capital coverage ratio remains strong at 175%¹⁰ (2022: 181%).
- The leverage ratio (excluding IFRS 16 lease liabilities) is 20.6% (2022: 19.4%).
- Full Year 2023 results demonstrate that our strategy is delivering strong results with broad-based growth across all lines of business and Market Units against a backdrop of continued macro-economic, political and regulatory uncertainty.

Financial position

- The Bupa Group's Solvency II capital coverage ratio remained strong at 175% (2022: 181%).
- Leverage ratio is 27.9% (2022: 27.3%) when including IFRS 16 lease liabilities. Excluding these liabilities, the leverage ratio is 20.6% (2022: 19.4%). In the first half of the year we repaid £250m of Tier 2 debt at maturity and we issued a €500m senior bond in October.
- Net cash generated from operating activities increased by £265m period-on-period to £1,304m, driven by higher revenue, partly offset by the reduction in Australia Health Insurance profits.

Note on Chile

- As disclosed previously, Bupa's Isapre business in Chile has been negatively impacted by judicial and regulatory action. The Chilean Supreme Court has significantly shifted its interpretation of Isapre pricing in recent years, with the cumulative effect of restricting the previously permitted, and generally accepted, pricing/rate-setting approach. The potential short and long-term implications for Bupa's Isapre business remain highly uncertain, however, some recent developments suggest that a revised pricing framework could emerge to support the sustainability of the industry.
- In the meantime, we continue to recognise contingent liabilities regarding the potential retrospective financial implications relating to the Isapre business. Further details are included in the Financial Review.

BUPA GROUP CEO's UPDATE

Bupa had a very strong year in 2023. We are making good progress on delivering against our strategy with strong organic growth across our health insurance businesses, increased occupancy in our aged care homes and villages, and increased activity in our health provision businesses to meet growing customer demand.

We are encouraged by the overall performance of the Group as we continue our transformation to become an increasingly digital business serving our customers, patients and residents.

I would like to thank all our people at Bupa who have worked incredibly hard to support our customers and transform the business. Throughout the year, our teams have been focused on 'running' and 'changing' Bupa – continuing to run the organisation efficiently and prioritising high standards of customer service while at the same time changing our business with a focus on digital transformation. This has delivered strong performance across the organisation with our strategy driving positive improvements and organic customer growth.

Significant progress in 2023

This year's results demonstrate that our 3x6 strategy is the right one and delivering strong results:

- In health insurance, customer numbers grew 22%¹¹ as our market-leading propositions position us well to serve more customers with an increasing focus on health and wellness.
- In health provision, we saw good customer growth and a strong increase in profitability. Notably in UK Dental we have seen improved business performance as the business delivers against the early stages of its turnaround plan.

⁷ Includes customer numbers for associate businesses.

⁸ 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 period-on-period comparison. A reconciliation to statutory profit before taxation can be found in the notes to the financial statements.

⁹ Note variance to Full Year 2022 disclosures relates to change in accounting for premium rate deferrals under IFRS 17. Previously expensed as incurred but now restated and recognised over the duration of the contract to which the deferral relates.

¹⁰ The FY 2023 Solvency II capital coverage ratio is an estimate and unaudited.

¹¹ Includes customers from Associate insurance businesses.

Strategic Report

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- And in aged care, we have reached an important milestone as a sharp focus on the business fundamentals has seen occupancy exceed pre COVID-19 pandemic levels.¹²

Our specialist healthcare focus, international footprint and trusted clinical expertise puts us in a strong position in a sector with long-term rising demand. This has seen our insurance customer base, including associates grow to 29.7m, which is 22% higher than in 2022.

We have delivered thousands of customer experience improvements across key parts of the customer journey and continue to increase our focus on digital transformation. We now have over 5.5 million customers using Blua¹³, our innovative digital health solution.

During the year, I was able to visit many of our teams in our different markets. While virtual meetings are an effective means of communicating, it is important to meet our people and our customers in person. I've visited our businesses in countries including Spain, Poland, Mexico, Saudi Arabia, Australia, India and the UK, and have been impressed by the energy, commitment and care shown by all our colleagues.

I'm very proud of the strong leadership community we have built at Bupa. Our Strategic Development Forum is the group of our 75 most senior people from across every business who meet quarterly and which are driving the execution of our strategy. This team is the best lever we have to maintain the momentum of our transformation.

Strategic progress

Bupa's 3x6 strategy is centred around three bold ambitions focused on digitalisation and customer experience and six strategic and enabling pillars. Over 2023, we made good progress, including:

- **Customer:** In 2023, 87% of our Business Units improved their Net Promoter Score (NPS). We also implemented over 8,000 customer experience improvements across key parts of the vital customer journeys.
- **Growth:** We have 20.3m provision customers, 6% growth from last year and 29.7m health insurance customers¹⁴, reflecting a 22% growth from 2022.
- **Transformation:** We now have over 5.5 million Blua customers globally, with plans to significantly increase this going forward. These customers are being served by our growing network of around 14,000 doctors and clinicians.
- **Sustainability:** We launched our Healthy Cities programme globally, which saw 80,000 people, including our employees, customers and community partners take 10 billion steps throughout 2023, in turn unlocking £2 million of funding for local nature regeneration projects in urban areas.
- **Agile Culture:** 457 leaders globally are listening to customer feedback via our internal listening app in almost every business. 61,000 customer calls listened to, and 23,500 ideas generated for how we can improve our customer experience.
- **Data:** Over 12,000 of our people are accessing and using data from our platforms to drive decision-making, and in 2023, 120 teams across 20 countries participated in the B-Disruptive Hackathon, upskilling Bupa's workforce in Generative AI.

Sustainability highlights

As an international healthcare company, the interconnection between human health and the health of the planet is core to our strategy. In 2023, we made notable progress in decarbonising our operations and accelerating critical collaborations to shape the delivery of net zero, patient-centric health systems, including Bupa joining the Sustainable Markets Initiative Health Systems Taskforce and a global partnership with Health Care Without Harm. We also expanded our Healthy Cities programme to all our Market Units, encouraging people to adopt sustainable and healthy lifestyles, while investing in regenerating urban environments for people to thrive. Here are some of our other highlights:

- Our global talent and innovation programme eco-Disruptive continued into its third year, engaging more than 270 start-up applicants and 18 finalists. We awarded £200,000 to the winning start-up, UniSCool, who have pioneered a liquid cooling solution which reduces the energy use of electrical appliances including medical equipment. They will continue to work with Bupa employees to drive sustainability action.
- We expanded our international-level advocacy and partnerships, including a three-year partnership with the Norman Foster Foundation to create healthy and climate-resilient cities.

Outlook

We are encouraged by the overall positive performance across the Group and how our businesses are transforming against the strategic priorities they are given as part of our portfolio management strategy.

I've been particularly energised by my visits to India, where I've spent time with the team at Niva Bupa. In 2023, we began the process to increase our stake in the business to become the majority shareholder of one of the fastest growing companies in the Indian health insurance industry. This completed in January 2024. I am very impressed with what the Niva Bupa team have achieved to date. It is a vibrant and exciting market, and we see huge opportunities to serve more customers and grow the business and the market over the coming years.

The macro-economic, political and regulatory outlook remains uncertain. We continue to see elevated levels of inflation increasing costs for our business and for our customers in certain markets. As stated in the Business Risk section, changes in governmental and regulatory policy continue to be one of our top risks given the nature of our business. This risk is present in

¹² Pre COVID-19 levels based on 2019 closing occupancy.

¹³ 5.5 million customers are using Blua, our digital healthcare service, or an equivalent digital solution.

¹⁴ Includes customer numbers for associate businesses.

Strategic Report

For the year ended 31 December 2023

Chile, where the Isapre insurance industry continues to be negatively impacted by political uncertainty, potential changes in law and regulatory and judicial action. This results in Contingent Liabilities being recognised as at 31 December 2023, as summarised in the financial review.

We are confident for the future of our business, there is positive momentum behind our 3x6 strategy and our ambition to be the world's most customer-centric healthcare company. There is much to do, but we are well positioned to meet customer healthcare needs with an ever-increasing focus on health and wellbeing across our markets.

MARKET UNIT PERFORMANCE

Asia Pacific

	Revenue	Underlying profit
2023	£5,726m	£151m
2022 (AER)	£5,716m	£424m
% growth/(decline)	–%	(64)%
2022 (CER)	£5,454m	£400m
% growth/(decline)	5%	(62)%

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2023	4.7	2.6	8,600

(Commentary on a CER basis)

Revenue in our Asia Pacific Market Unit increased by 5% to £5,726m driven by new Australia Health Insurance members, an increase in Australia and New Zealand aged care occupancy, and higher utilisation in Hong Kong Health Services. Revenues were reduced by £312m (2022: £240m) as a result of returning claim savings to customers via cash givebacks (£211m) and premium rate deferrals (£101m). This takes the total support provided to customers since the pandemic started to £0.7bn.

Overall Asia Pacific profits reduced, due to timing differences between the recognition of COVID-19 claims savings and returns to customers in Australia Health Insurance.

In Australia Health Insurance, revenues increased by 6% (when excluding the impact of COVID-19 claims savings returned to customers) as a result of growth in domestic and international customers and the November 2022 (deferred from 1 April 2022) and October 2023 (deferred from 1 April 2023) premium rate increases. On a reported basis, the combined operating ratio (COR) increased to 98% (2022: 89%) due to the impact of timing differences between the recognition and return of COVID-19 claims savings to customers.

Australia Health Insurance increased its domestic market share in the December 2023 quarter, delivering five consecutive quarters of market share growth. We remain committed to finding ways for our members to get the best value from their health insurance in the face of cost-of-living pressures. Key propositions included: the Members First Ultimate Dental market leading proposition, providing Bupa members free access to fillings and check-ups exclusively at Bupa-owned dental practices; the new Australia Health Insurance extras products offering greater choice, value and flexibility to our customers; and the 24/7 virtual/digital Doctor programme as part of the 'Bluea' offering we are piloting with our regional members. During 2023, the uptake of our programmes designed to improve our customers' health increased significantly including dietary guidance, hospital stay preparation, and treatment recovery and to address health issues including heart attacks and strokes. In addition, Bupa signed a three-year contract with Healthscope, Australia's second largest private hospital group.

In Australian Health Services, revenues remained stable due to volume growth in Dental, Optical and the Australian Defence Force contract, offset by lower assessment volumes in the Bupa Medical Visa Services business due to a change in government regulations. Notwithstanding the underlying profit decline in Bupa Medical Visa Services due to the change in government regulations, volumes uplifted in the later part of 2023.

In Australian Aged Care, revenues grew strongly and the business returned to profitability due to higher occupancy rates, improved government funding and enhanced compliance as the sector continues to recover from the impacts of the COVID-19 pandemic. Closing occupancy was 91% (2022: 84%).

In New Zealand Villages and Aged Care, targeted initiatives delivered an uplift in care home occupancy to close at 91% (2022: 87%). Village Unit resales uplifted 15% relative to last year driving higher revenues and profitability, reflecting the optimised village development strategy.

In Hong Kong, revenues increased driven by higher utilisation and the launch of seven new clinics. Insurance revenues also grew as we launched a revised pricing and retention strategy to transform business performance. Overall, Hong Kong reported an underlying loss due to an increase in claims utilisation in Insurance following the end of the COVID-19 pandemic. This was partially offset by Health Services delivering a strong profit result.

Strategic Report

For the year ended 31 December 2023

Europe and Latin America

	Revenue	Underlying profit
2023	£5,083m	£358m
2022 (AER)	£4,487m	£300m
% growth	13%	19%
2022 (CER)	£4,553m	£307m
% growth	12%	17%

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2023	5.6	13.5	5,800

(Commentary on a CER basis)

Revenue in our Europe and Latin America Market Unit grew by 12% to £5,083m as a result of strong customer growth and the impact of pricing action as we seek to balance elevated levels of inflation, remaining competitive for our customers and maintaining discipline in our underwriting of insurance risk. Underlying profit increased by 17% to £358m in the year, driven by revenue growth, higher margins and increased investment returns with 2022 also being impacted by a £41m one-off Consumer Price Index (CPI) linked performance catch-up on a long-standing public private partnership (PPP) hospital contract in Spain. In Bupa Chile the October 2022 regulator-approved GES pricing increases returned the Isapre to a small profit for the year. However, following an adverse court ruling cancelling the increase (effective 1 January 2024), the outlook for Isapre pricing remains unclear.

Sanitas Seguros, our health insurance business in Spain, delivered strong revenue growth driven by increased organic customer volumes and the impact of a new strategic alliance with Generali, which has increased customer numbers by 134,000. Underlying profits increased significantly driven by stable margins with a 89% COR (2022: 88%), combined with higher revenues and investment returns. Other business highlights include the acquisition of the health business of Asefa Seguros in June, which increased our health insurance portfolio by 37,000 customers. We also continued to expand digital services and, in December, we reached an average of 68,000 video consultations per month (compared to an average of 64,000 per month in December 2022). We have made more than 814,000 video consultations this year, representing an increase of 5.6%.

Our dental business in Spain saw increased revenue and underlying profit, driven by higher customer volumes. New commercial agreements with Generali and Asefa contributed to good growth in the number of dental policyholders.

In our hospitals business in Spain, revenue and underlying profit reduced due to the impact of a historical CPI catch-up in 2022 on a long standing PPP hospital contract in Spain. During 2023, our own laboratory works reached full capacity with more than 750,000 samples taken this year.

In Sanitas Mayores, our aged care business in Spain, revenue and underlying profit improved through higher occupancy levels and price increases. Closing occupancy rates increased to 96% (2022: 93%). We have announced plans to create capacity for over 500 new beds over the next three years, opening five new residential centres in Madrid, Barcelona and Valencia, and extending our existing centre in Barcelona.

In Bupa Chile, we returned to profitability, but the future outlook remains uncertain following cancellation of the GES price increase (effective 1 January 2024) which had been a key driver of the return to a small profit in Isapre Cruz Blanca. However, whilst the financial impact of adverse court rulings in relation to GES and RFT pricing remain unclear, more recent developments suggest a pricing framework needed to support the sustainability of the industry is becoming more likely.

In Poland, LUX MED revenue increased and underlying profit was up as a result of strong customer growth in health provision. In the year we also acquired a new hospital with leading multi-speciality capability. Through the period, we have maintained our support for Ukrainian refugees who have been forced to flee the war.

In Türkiye, our health insurance business delivered substantial revenue growth, driven by pricing increases to keep pace with higher rates of inflation. Profits increased in the period due to higher investment returns. The economy continues to be classified as being a hyperinflationary environment, leading to the application of IAS 29. A net monetary loss of £18m has been recorded outside of underlying profit for the period.

Care Plus in Brazil delivered strong revenue growth, with double-digit growth whilst customer numbers more than doubled. Through the acquisition of Inpao Dental, Care Plus quadrupled its number of dental funding customers to 360,000; and through the acquisition of Vacinar, an in-company provision provider focused on the corporate segment, Care Plus will now administer over 400,000 vaccinations annually. Underlying profits reduced for the period driven by a provision release in the prior year for onerous contracts.

Strategic Report

For the year ended 31 December 2023

Bupa Mexico delivered strong revenue and profit growth due to higher renewal rates in our insurance business alongside the favourable rates boosting investment returns.

Bupa Global Latin America revenue increased due to higher volumes in the domestic health insurance market in Ecuador and international products across the region. Underlying profits increased driven by higher revenue, investment returns and improved margin. In the period, we started an alliance in Peru with Mapfre to jointly develop and offer new health products and this will gradually expand to other countries in Latin America.

Bupa Global and UK

	Revenue	Underlying profit
2023	£4,235m	£263m
2022 (AER)	£3,842m	£47m
% growth	10%	453%
2022 (CER)	£3,840m	£47m
% growth	10%	462%

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2023	3.4	3.7	6,400

(Commentary on a CER basis)

We achieved good revenue growth in our Bupa Global and UK Market Unit of 10% to £4,235m. Underlying profit grew by £216m due to £117m of UK Dental tangible asset impairments in 2022, which was not repeated in 2023, and improved financial performance across all Business Units.

In UK Insurance, underlying profit increased through higher investment returns and strong revenue and customer growth across medical insurance, health trusts, dental insurance and cash plan in 2023. We launched several new propositions for customers, including Workplace Mental Health Advantage, a new corporate proposition to support their people's mental health through early intervention, and Family+, a new consumer proposition built around savings for families.

In Bupa Global, our IPMI business, revenue and profit improved driven by increased customer volumes and strong corporate revenue performance. Under the new regional commercial structure, we have made good progress against targets to deliver long-term sustainable growth, with propositions tailored to meet local requirements. We launched new products in the UK, Africa and the Nordics, and have also announced an expanded range of services and products in Egypt to provide holistic global cover for individuals and their families.

The combined operating ratio (COR) for Bupa Insurance Limited, the UK based insurance entity that underwrites both domestic and international insurance, was 95% (2022: 94%).

UK Dental losses reduced significantly following the early success of our turnaround strategy. This included the decision in March to close, sell or merge 85 of our 475 dental practices in the UK as a result of the national shortage of dentists to deliver NHS care, and heightened operational challenges due to macro-economic pressures, rising inflation and energy costs. We are seeing rising numbers of clinicians choosing to work for us and improving retention rates amongst colleagues. We are seeing strong demand for our quality services and we continue to improve our offering.

UK Care Services, our aged care business, delivered good growth in revenue and profit with occupancy reaching 90% in 2023 (2022: 87%), which is higher than pre-pandemic levels (2019 average: 87%). Underlying profit growth was driven by occupancy growth, more self-funding residents and a material improvement in staffing levels which has reduced our reliance on agency support. Our business continues to be impacted by high energy costs and salary inflation. Digital transformation progresses at pace, with electronic care planning fully live in all our services and the rollout of electronic medication administration records. Our retirement village portfolio has delivered strong performance driven by occupancy growth and property sales have performed well against the backdrop of an uncertain housing market, demonstrating the appeal of our services, which we continue to adapt in response to the needs of this evolving market.

Health Services delivered good growth in revenue and underlying losses reduced, driven by higher customer numbers and strong growth across all product and service lines. We opened a further three new partnership clinics in the second half of the year, launched remote GP services for UK Insurance customers, and the Cromwell Hospital opened a new urgent care and acute admissions unit. Our Clinics and Cromwell Hospital treated increased volumes of UK Insurance customers as we developed our Connected Care strategy to deliver more joined-up care for our customers. We also announced a major expansion to our Cromwell Hospital site which, when completed, will provide additional outpatient capacity and improved facilities for patients.

Strategic Report

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Other businesses

	Revenue	Underlying profit
2023	£8m	£85m
2022 (AER)	£7m	£49m
% growth	22%	73%
2022 (CER)	£7m	£48m
% growth	25%	77%
	Health insurance customers (m)	Healthcare provision customers (m)
2023	16.0	0.5

Performance

Underlying profit was up 77% to £85m driven mainly by higher volumes, margins and increased investment returns in Bupa Arabia.

FINANCIAL REVIEW

Summary¹⁵

	FY 2023	FY 2022 restated (AER)	% growth/ (decline)	FY 2022 restated (CER)	% growth/ (decline)
Revenue	£15.1bn	£14.1bn	7%	£13.9bn	9%
Underlying profit	£747m	£748m	– %	£730m	2 %
Cash generated from operating activities	£1,304m	£1,039m	26%	n/a	n/a
Statutory profit/(loss) before taxation	£717m	£(269)m	n/a	n/a	n/a
Leverage (excl. IFRS 16)	20.6 %	19.4 %	(1.2) ppts	n/a	n/a
Leverage (incl. IFRS 16)	27.9 %	27.3 %	(0.6) ppts	n/a	n/a
Solvency	175 %	181 %	(6) ppts	n/a	n/a

Revenue (CER)

Group revenue was up 9% as a result of customer growth in insurance, increased activity in health provision and higher occupancy levels in aged care. This was partially offset by a significant increase in the cost of returning COVID-19 claims savings to customers in Australia Health Insurance taking the total cost of the return in 2023 to £312m (2022: £240m)¹⁶. Pricing changes contributed to revenue growth across all lines of business¹⁷ as we seek to balance the impact of elevated inflation, remaining competitive for customers and maintaining discipline in our underwriting of insurance risk across our markets.

Revenue in health insurance grew by 9% with customer growth of 8%¹⁸ period-on-period across all of our market units. Our health provision businesses saw revenue growth of 6% driven by higher levels of activity, particularly in our Polish business, LUX MED, partially offset by a £41m one-off CPI linked performance catch-up on a long-standing PPP hospital contract in Spain in 2022. In aged care, revenue was up 12% as occupancy rates increased by 4ppts, exceeding 2019 pre COVID-19 levels.

Underlying profit (CER)

Group underlying profit before tax increased 2% to £747m (2022: £730m) as strong customer growth and higher investment returns were partially offset by lower profits in Australia Health Insurance, due to timing differences between the recognition of COVID-19 claims savings and returns made to customers as part of our COVID-19 support programme introduced during the pandemic. In 2023 the cost of returning claim savings (accumulated through the pandemic) to customers increased to £312m (2022: £240m). In 2022 we also recognised £117m of tangible asset impairments in UK Dental, which was not repeated in 2023.

¹⁵ Prior period comparators have been restated to reflect the new accounting standard for insurance contracts, IFRS 17 and the updated definition of underlying profit. See Note 1.5 and Note 2 for further detail.

¹⁶ Note variance to Full Year 2022 disclosures relates to change in accounting for premium rate deferrals under IFRS 17. Previously expensed as incurred but now restated and recognised over the duration of the contract to which the deferral relates.

¹⁷ Lines of business represents, insurance, provision and aged care.

¹⁸ Excludes insurance customers from the associate businesses.

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Health insurance underlying profit decreased as growth in revenues and investment returns across all Market Units were offset by the timing differences between the recognition of COVID-19 claims savings and returns to customers in Australia Health Insurance. Margins across our Europe and Latin America Market Unit improved, in part driven by the October 2022 GES premium rate changes in the Isapre business which have been cancelled with effect from 1 January 2024. In Bupa Global and UK, UK Insurance underlying profit increased through higher investment returns and strong revenue and customer growth. In Bupa Global profits increased as we continue to see the positive effects of our portfolio management strategy improving the performance of the business.

Profitability grew strongly in health provision due to margin improvement, customer growth and the absence of impairments.

Aged care returned to profitability in the period driven by higher levels of occupancy and an improved government funding model in Australia.

Increased central investment into certain initiatives that increase our capability globally, including ESG, and higher interest rates on variable rate debt, resulted in central costs increasing by £38m to £110m for the year.

Statutory profit

Statutory profit before taxation was £717m, up £986m AER (2022: £(269)m), driven by the higher underlying result and by the movement in non-underlying items which totalled a £30m cost at FY 2023, compared with a £1,017m cost at FY 2022.

The key driver of the movement in non-underlying items was the near absence of impairments of intangible assets and goodwill arising on business combinations of £1m (2022: £888m¹⁹). Our return-seeking asset portfolio delivered a positive return across all asset classes, with strong performance in the final quarter of the year on lower yields and tightening of credit spreads. This compares to mark-to-market losses that we saw across the portfolio in 2022 following general market volatility and inflationary pressure which led to a significant increase in both interest rates and credit spreads in the period. We also reported a gain on realised and unrealised foreign exchange in the period of £2m (2022: £15m loss).

Also included is a £21m (2022: £33m) net loss on property revaluations. In Bupa Villages and Aged Care Australia we recognised a £32m (2022: £34m) amortisation charge on intangible assets following the government announcement to deregulate bed licences from 2024. Losses in other non-underlying items of £8m (2022: £21m) primarily relate to restructuring costs in Europe and Latin America and Bupa Global and UK. Partially offsetting this, Other businesses includes a £27m dilution gain on the issue of share capital in Niva Bupa to external investors which took place ahead of us increasing our stake in the business.

	2023 £m	2022 restated £m
Bupa Asia Pacific at CER	151	400
Europe and Latin America at CER	358	307
Bupa Global and UK at CER	263	47
Other businesses at CER	85	48
Central costs	(110)	(72)
Consolidated underlying profit before taxation at CER	747	730
Foreign exchange re-translation on 2022 results (CER/AER)	–	18
Consolidated underlying profit before taxation at AER	747	748
Impairment of intangible assets and goodwill arising on business combinations	(1)	(888)
Short-term fluctuation on investment returns	31	(22)
Net loss on disposal of businesses and transaction costs on business combinations	(1)	(4)
Net property revaluation losses	(21)	(33)
Realised and unrealised foreign exchange gains/(losses)	2	(15)
Amortisation of bed licences	(32)	(34)
Other non-underlying items	(8)	(21)
Total non-underlying items	(30)	(1,017)
Statutory profit/(loss) before taxation at AER	717	(269)

IFRS 17 Insurance Contracts

The IFRS 17 Insurance Contracts standard was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts, with effect for annual accounting periods beginning on or after 1 January 2023. In applying the new standard, the Group is applying the simplified Premium Allocation Approach leading to revenue recognition that is consistent with that used under IFRS 4. The Group's net assets at transition on 1 January 2022 reduced by £56m. This is due to the derecognition of deferred acquisition costs assets and the recognition of the loss component on onerous contracts, offset by the derecognition of both the COVID-19

¹⁹ Total £1bn of impairments in 2022, of which £117m were impairments to right-of-use and fixed assets in UK Dental which were included within underlying profit, with the remaining £888m recognised in non-underlying items.

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deferred claims liabilities and the premium deferral provision in our Australian insurance business, as these are not included under IFRS 17.

The change to IFRS 17 results in a restatement of our reported Full Year 2022 underlying profit from £693m to £739m²⁰ AER. This increase is mainly driven by the derecognition of the COVID-19 deferred claims liability and premium rate increase deferral provisions. Beyond this, the impact of IFRS 17 is small, with other factors driving the restatement of profits including the change from deferring acquisition costs to expensing up front and the recognition of losses on onerous contracts up front. See note 1.5 of the Annual Report and Accounts for further detail on the impacts of IFRS 17.

Insurance service result

Following the transition to IFRS 17 we are required to report an insurance service result which comprises: insurance revenue, less insurance service expenses. This result excludes financial income and expenses. The 2023 the Group insurance service result was £445m (2022: £672m) with higher revenues being offset by the lower profits in Australia Health Insurance, due to timing differences between the recognition of COVID-19 claims savings and the returns made to customers. The 2023 combined operating ratio (COR)²¹ was 96% (2022: 93%).

Taxation

The Group's taxation expense for the year was £177m which represents an effective tax rate of 25% (2022: (48)%) in line with the UK statutory corporation tax rate. The 2022 effective tax rate of (48)% was mainly driven by the net tax impact of one-off goodwill and fixed assets impairments for which no tax deductions can be claimed.

Cash flow

Net cash generated from operating activities increased by £265m year-on-year to £1,304m driven by higher revenue across the market units partially offset by the reduction in Australia Health Insurance profits. Net cash flow used in investing activities reduced by £731m to £142m as less of the cash generated from operating activities has been invested into financial assets versus 2022 contributing to the higher cash and cash equivalent balances being held at the year end. Cash used in financing activities has reduced in the period by £345m to £203m, primarily due to the issuance of €500m of senior unsecured bonds. This was partially offset by the repayment of £250m of Tier 2 bonds.

Funding

We manage our funding prudently to ensure a strong platform for continued growth. Bupa's policy is to maintain investment grade access to both the senior and subordinated bond markets. Fitch and Moody's reviewed Bupa's credit ratings during 2023, with no rating changes in 2023.

We continue to hold a good level of Group liquidity. At 31 December 2023, our £900m revolving credit facility was undrawn (2022: £70m drawn). In November, the final one year extension on the facility was exercised, with it now maturing in December 2028. We used the facility in the first half of the year to repay a subordinated bond on its scheduled maturity date and this was repaid in October following the issuance of a €500m senior bond. Coverage of financial covenants within the facility remains strong.

We focus on managing our leverage in line with our credit rating objectives. Leverage excluding IFRS 16 leases at 31 December 2023 was 20.6% (2022: 19.4%) and was 27.9% (2022: 27.3%) when IFRS 16 lease liabilities are included.

Chile - Isapre Cruz Blanca contingent liabilities

The negative impact of judicial and regulatory action on the Isapre insurance industry in Chile continues as the method and implementation of the statutory Risk Factor Tables (used to adjust the price of insurance contracts based on risk factors such as age) following a Supreme Court decision of December 2022 remain unclear.

To date, several proposals have been put forward in an attempt to make the industry sustainable and attractive enough to secure the required political support. The Technical Commission report published in October and revised draft law published in November were both significantly more favourable than the initial draft law published in May 2023, but still led to differing quantifications of the retrospective liabilities. The method, form and timing of settling any such liabilities also remains unclear with the Technical Commission report proposing that these liabilities are funded over a period of 10 years in healthcare benefits, rather than cash. These proposals were largely adopted into the revised draft law which has moved from the Senate to the Congress, although the exact details of how this would operate are currently unclear. The draft law is progressing through the

²⁰ FY 2022 reported underlying profit of £748m also includes £9m impact from the change to the underlying profit definition, our non-GAAP measure of trading profit. Other and FX balances net to nil.

²¹ COR is calculated based on "Insurance service expense" plus "Net expense from reinsurance contracts held" divided by "Insurance revenue" as shown in the Consolidated Income Statement.

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legislative process, including approval by the Senate in January 2024, but is still subject to debate in Congress, the lower house of the Chilean parliament.

Whilst the government remains committed to enacting legislation by the May 2024 deadline, there remains considerable scope for the proposals to be amended or rejected. Given the range of uncertainty around the outcome, no IFRS provision has been recognised as at 31 December 2023.

In contrast to the requirements of IFRS, under Solvency II the Group is required to include a value for contingent liabilities, even if the amount of the obligation cannot be measured with sufficient reliability. As at 31 December 2023, the Group included an allowance of £165m (HY23: £160m and FY22: £100m). As previously stated, the final impact is likely to differ materially from this value and this is a calculation for Solvency II purposes and not a pre-estimate of all actual or potential losses relating to Isapre Cruz Blanca. Any retrospective payments finally determined to be due in respect of historic policies as a result of the Risk Factor Table ruling and subsequent legislation would be liabilities for Isapre Cruz Blanca.

In addition to the Risk Factor Table ruling, the Chilean Supreme Court decision in August 2023 led to the most recent regulator-approved GES price increase being cancelled, effective from 1 January 2024. This had been a key driver of Isapre Cruz Blanca returning to a small profit for Full Year 2023. In December 2023, the regulator communicated the basis for calculating the retrospective payment element in relation to the GES rate increase. This has been provided for and given the low probability of further exposure, no further contingent liability disclosed.

Solvency²²

The Group's solvency coverage ratio of 175%²³ 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 2023, the estimated SCR of £2.9bn was £0.2bn higher and Own Funds of £5.0bn was £0.1bn higher when compared to 31 December 2022.

The Group's surplus capital was estimated to be £2.1bn, compared to £2.2bn at 31 December 2022, representing a solvency coverage ratio of 175% (FY 2022: 181%). Our business continued to generate capital through our underlying profitability. This capital generation was offset by the £250m repayment of Tier 2 subordinated debt, capital expenditure, debt financing costs and increased regulatory provisions in relation to Isapre Cruz Blanca in Chile.

On 8 January 2024, the Group acquired additional shares in Indian health insurer Niva Bupa Health Insurance Company Limited resulting in a controlling shareholding. The impact of this acquisition is an estimated 8 percentage point reduction to the Group solvency coverage ratio.

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

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

Risk Sensitivities	Solvency II coverage ratio
Solvency coverage ratio	175 %
Property values -10%	165 %
Loss ratio worsening by 2%	168 %
Sterling depreciates by 20%	169 %
Group Specific Parameter (GSP) +0.2% ²⁴	173 %
Interest rate -100bps	173 %
Credit spreads +100bps (no credit transition)	175 %
Pension risk +10%	175 %
Equity markets -20%	175 %

The Group includes a Group Specific Parameter ('GSP') in respect of the insurance risk parameter in the Standard Formula. Applying a premium recognition adjustment to the GSP loss ratio data to allow for the distorting impact of the COVID-19 pandemic.

²² The Solvency II capital position, SCR and coverage ratio represents the Parent, The British United Provident Association Limited.

²³ The 2023 Solvency II capital coverage ratio is an estimate and unaudited.

²⁴ Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

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Section 172 and engagement statement

The following provides the Directors' statements, required by the Companies Act 2006 (the 'Act'), to report on how they have performed their duties in relation to Section 172(1) of the Act and engaged with employees, suppliers, customers, and others. It draws upon information contained earlier in the Strategic Report, which has been signposted and not repeated.

Section 172 Statement

This statement sets out how the Board has acted in a way that promotes the Company's long-term success and sustainability for the primary benefit of its sole shareholder, The British United Provident Association Limited, to support the Parent's purpose of helping people live longer, healthier, happier lives and making a better world, as well as its other key stakeholders.

When making decisions, the Board is guided by Section 172 of the Act when performing its duties and making decisions regarding the likely long-term impact, interests, concerns of its key stakeholders and on the communities in which Bupa operates, its environment and maintaining high standards of business conduct.

Engaging with our key stakeholders

As an intermediate holding company for the Group, how the Company engages with its key stakeholder groups is in the context of business oversight and is consistent with reporting by our Parent in its Annual Report and Accounts in respect of 2023. During the year, the Board has considered the Group's Parent, customers, people, bondholders, suppliers and partners, regulators, and communities and the environment, as its key stakeholder groups, and had regard for their views and interests when making decisions and overseeing execution of Bupa's business model and strategy.

Customers

With a Group ambition to be the world's most customer-centric healthcare company, Bupa's customers are the focal point of all Bupa Board decisions. The Board has had regard to customers' experience and future expectations via the Customer Listening app in 2023 and in reports to the Board.

People

Bupa's people are central to supporting customers, living our values and the long-term success and sustainability of the Company and Bupa. It is fundamental that we listen to our people and consider their interests to ensure we attract and retain the best people and they feel Bupa is a great place to work. Reporting on people strategy and governance is made to, and overseen by, the Bupa Board, including its talent management, people development, biannual People Pulse employee surveys and the operation and reporting in respect of 'Speak Up', the confidential whistleblowing helpline.

Bondholders

As outlined earlier, the Company has a series of publicly-traded debt securities in issue on the London Stock Exchange and is therefore subject to the relevant UK Listing Rules and the Disclosure Guidance and Transparency Rules, and the UK Market Abuse Regulation, and matters relating to the issue and trading of its debt securities are regulated by the Financial Conduct Authority (FCA). Investors in these debt securities are interested in the Company and Bupa's financial performance and strength, and increasingly Bupa's sustainability and wider ESG activities. On behalf of the Company and its Parent, Directors hold briefing calls for bondholders to discuss the full year and half year results, strategy, and its sustainability and ESG activities. This provides an opportunity for them to question management on the financial performance and strategy of the Company and Bupa. The Directors also held roadshows for current and prospective bondholders during the year, and communicated other significant developments via regulatory announcements and press releases, which are also published on our website, [bupa.com](https://www.bupa.com).

Regulators

The Group operates in highly-regulated environments across the health insurance, provision, and aged care businesses. Our insurance business is also subject to financial services regulatory regimes and our aged care business with care quality regulators. In some cases, regulators are independent of governments, and in other situations Bupa's activities are directly regulated by national or local governments. The relationship with regulators is performed by our Parent, on behalf of the Company and its Directors, as that is where the Group oversight responsibilities for Bupa sit under the Senior Managers and Certification Regime in the UK.

Suppliers and partners

Bupa's suppliers and partners support our business needs and help Bupa to deliver a high-quality service to customers, so it is important that we have strong working relationships and operate ethically. The Board has regard to Bupa's Responsible Supply Chain Statement, available at [bupa.com](https://www.bupa.com), that sets Group expectations of our suppliers and our commitments to them, alongside Group policies set and approved by the Bupa Board. The Board also considers matters related to modern slavery and the supply chain and approved the Modern Slavery Statement, which can be found on [bupa.com](https://www.bupa.com).

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Communities and the environment

Bupa operates within a societal context and believes the health of the community and environment we live in has a significant impact on people living longer, healthier, happier lives. The Company's Parent reports on sustainability and ESG actions, engagement, and ambitions on behalf of the Group and provides Bupa's statements on climate related financial disclosures now under the Act, on page 34 of its Annual Report and Accounts 2023.

Strategic decisions and their impact on stakeholders

The table below sets out examples of decisions the Directors have taken during the year and how stakeholder views were taken into account.

Bond Issuance – Bondholders, customers, regulators	
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 the Group has the resources to be able to maintain and improve its offer to customers and fund future growth of the business.	<u>Action</u> On 12 October 2023, the Company issued €500m of 5.00% fixed rate notes with a maturity date of 12 October 2030, following Board approval. <u>Stakeholder considerations</u> Management discussed the proposals with the regulator to ensure they were comfortable with the proposal ahead of the issuance. Management also consulted the Company's rating agencies. <u>Long-term impact</u> Directors were satisfied the bond issuance demonstrated to bondholders, customers, and regulators that the Group would continue to hold sufficient capital reserves and could comply with relevant capital adequacy regulations. The issuance enabled the Company to enhance its strong liquidity and capital positions, improve our offer to our customers and generate sustainable long-term growth. The issuance was denominated in Euros which enabled the Company to access a wider investor base.
Acquisition of Majority Shareholding in Niva Bupa – Customers, people, regulators, bondholders, communities	
The Board monitors the Company's funding and liquidity position to ensure that it has sufficient headroom in the level of liquidity we hold above risk appetite. The Board manages the need to maintain the financial strength of the Company with the funding requirements of the business to invest in growth opportunities and to achieve the Group's objectives.	<u>Action</u> During the year, the opportunity arose to increase Bupa's minority shareholding in its associate business in India, Niva Bupa, to a controlling interest. In order to carry out the acquisition, the Board approved the funding of the acquisition through a capital injection into its direct subsidiary, Bupa Investments Overseas Limited, for onward funding of the transaction. The acquisition completed on 8 January 2024. <u>Stakeholder considerations</u> The Board considered Niva Bupa's profitable outlook and robust growth projections and the benefits for customers, people, and the community in India. Additionally, the Board closely monitored the Company's liquidity and capital resources before concluding on balance, that the acquisition was in the best interests of the Company and the Group's long-term growth objectives. <u>Long-term impact</u> The acquisition of a majority shareholding in Niva Bupa provides the Company with an opportunity for long-term expected returns on the additional investment, with Niva Bupa having the potential to play a key role in driving Bupa's growth and profitability in the medium to longer-term. It also provides the opportunity to reach and serve more customers in India.

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Risk

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

Our focus on culture is essential in order to respond to changing environments and evolving regulation. This means we can foresee the potential risks of future changes that could affect our customers and our business, and to mitigate them. Together with our internal 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 is important to everyone at Bupa and they are equipped to manage risk. Bupa 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.

Bupa continue 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, operational and economic risks. Our health insurance, provision and aged care activities also carry different risk profiles including clinical risk. It makes sure Bupa 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.

Bupa manages its risks using a 3 lines model as set out in the risk management framework approved by the Parent Board. It determines Bupa Group's risk appetite determined by setting the degree of risk the Group is prepared to accept in order to do business and deliver the Bupa Group's strategy.

The core risk appetite statements focus on:

- The treatment of customers and employees
- Management of our financial strength and
- Operational risk, including information security; privacy and clinical risks.

The risk appetite statements are reviewed annually by management, then the Parent Board's Risk Committee, and are approved by the Parent Board in respect of the Bupa Group.

Risk profile

Risk is an inevitable part of operating a business. Some risks are avoidable while others are inherent in our business model so we have an effective internal control and risk management system to mitigate these risks.

The Parent ensures that significant economic capital is maintained at the Bupa Group level 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.

- **Property Risk** - 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.
- **Insurance Risk** - Risks relating to our insurance businesses. Risk of inadequate pricing and/or underwriting of insurance policies, of claims experience being materially adversely different to expectations and that provisions made for claims prove to be insufficient in light of later events and claims experience.
- **Currency Risk** - 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.
- **Operational 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).
- **Credit spread and counterparty default Risk** - 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.

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 Bupa Risk Committee and BERC about key areas of specific concern. This provides management with a view of the priority areas in which resources should be focused. The table below reflects the themes of the most significant risks currently facing Bupa. Strategic and operational risks remained heightened due to the challenging economic environment and the launch of our new strategy.

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Risk	Comment and outlook	Mitigating actions
Information security The risk of significant financial and reputational impacts due to a failure to appropriately secure information (including personal information).	Information security remains a critical challenge for all businesses, particularly those in the healthcare sector. The threats to our businesses evolve constantly and therefore our responses need to continue to do so as well. This risk will remain elevated given the challenging macroeconomic and geopolitical environment and several incidents targeting the healthcare sector.	We are continuing to invest in a range of activities and actions to enhance security as we further digitalise customer experience All staff are required to complete appropriate mandatory training. We have well-established and tested data breach incident response plans in place across the Group.
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 held locally in our insurance businesses.	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 continue to monitor the markets to ensure that we appropriately fund the Group. Our stress-testing programme considers the liquidity impacts of potential adverse scenarios
Government, legal and regulatory change risk The risk of failure to anticipate or influence changes in the 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.	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.
Transformation execution risk 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 strategy is focused on addressing customer expectations as they change. All Market Units have a range of transformation activities under way.	Transformation and strategy execution are a key focus of senior management and the BERC consider risks to the strategy as a standing agenda item. We have extensive governance mechanisms in place with regards to acquisitions, including conducting post-acquisition reviews and implementing learnings into future acquisitions.
Data The risks associated with the ownership, use and governance of data which could impact on the delivery of the Group Strategy.	Data is fundamental to the delivery of the Group strategy and will continue to remain a key area of focus for some time.	We have a range of initiatives and programmes in place across the Group focused on the use and governance of data.

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Operational resilience The risks associated with failure to ensure our businesses remain resilient to operational and supply chain challenges including those presented by third-party suppliers. This includes the risks associated with complying with the associated regulatory requirements.	Operational resilience capabilities are key to being able to maintain operations in the face of many challenges including third-party and supply chain risks, workforce fatigue, information security and other operational risks and the challenges presented by business growth. As we grow, these challenges will continue to become more pronounced, particularly where we increase our reliance on third parties	We continue to focus on heightening our supplier monitoring, management and communications to help minimise future disruption. Our businesses have well-established and tested disaster recovery plans.
Technology innovation The risk of failure to anticipate and/or respond to changing expectations in relation to information technology and resilience which could impact the viability or profitability of the business.	Changing consumer expectations/ behaviours with higher expectations for technological solutions, including those utilising AI, to improve interactions and the need for businesses to ensure appropriate IT capabilities and operational resilience to deliver for customers. Customers are increasingly looking towards digital and remote healthcare options and this trend is likely to continue to accelerate.	We continue to focus on significantly increasing our digital offerings in line with the Group strategy. We are enhancing our back-office processes where possible to leverage emerging technologies.
Geopolitical uncertainty The risks associated with geopolitical uncertainty and increasing nationalistic policies across our businesses and globally.	This has been an emerging and increasing trend for some time and likely to continue for the foreseeable future.	We continue to focus on heightening our supplier monitoring, management and communications to help minimise disruption.
Economic conditions The risk that depressed economic conditions further exacerbate existing challenges around affordability for customers with reduced spending power which could impact the profitability or viability of the business.	The macroeconomic environment is challenging in most markets. In many markets we are seeing heightened inflationary pressures and increased interest rates. This is challenging both consumer and government spending. Weakened economic environments are also likely to compound the existing affordability challenges in health insurance as premiums rise, driven by high medical and wage inflation.	We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges and affordability constraints. Management of the financial and performance risks as a result of the challenging economic conditions is a key focus of management
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. Adverse comments and unfavourable media coverage can impact Bupa's reputation. Our reputation can also be impacted by adverse operational issues such as cyber attacks.	Reputational contagion risk remains prominent in our operational and reputational risk management agenda with a focus on resolving and learning from issues faced. With the continuing implementation of our new sustainability strategy we have increased our focus on management of sustainability and ESG risks. The implications of failures to manage our reputation has been one of the key focus areas of our stress-testing programme this year
Strategic workforce risks Risks associated with the resilience of our own people which may impact their ability to deliver for the customer. This also includes strategic risks associated with workforce availability.	In many markets we continue to see strategic challenges associated with workforce availability, particularly clinical workforce, exacerbated by cost-of-living challenges, which may impact our ability to deliver services.	Workforce availability remains a key area of focus for senior management with a range of activities under way in each market to address challenges.

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Financial risks associated with climate change

We have integrated climate risk management into our existing Group-wide Risk Management Framework (RMF) which sets out how we identify, assess, manage and report on risks. We will continue to ensure that climate-related risks are considered appropriately throughout our governance arrangements, including the policy framework and management committees' responsibilities. We also continue to reflect on changes in regulatory expectations (e.g., from the Prudential Regulation Authority, PRA) whilst embedding climate risk through the RMF.

We have incorporated the financial risks from climate change into our wider stress testing programme. The results of our scenario analysis carried out to date suggest that our strategy is resilient to the financial risks from climate change. We continue to evolve and mature our climate scenario analysis along with our disclosure approach and scan for developments and improvements in scenario methodology and data.

On behalf of the Board

James Lenton
Director
6 March 2024

Governance

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Corporate Governance Report

Corporate Governance statement

The Company meets the thresholds of the Act to apply a corporate governance code and is therefore required to report on its corporate governance arrangements. While the Company is a holding company for Bupa subsidiaries, some of which are regulated under financial services regimes, and has listed debt securities on the London Stock Exchange, it is also a wholly owned subsidiary of The British United Provident Association Limited (Parent) and is included in their consolidated Group accounts and reporting. Its Parent has the ultimate oversight role for the Group from a governance perspective, in accordance with the Senior Managers and Certification Regime.

The Company's Parent has chosen to apply the FRC's UK Corporate Governance Code 2018 (the Code) to the extent it is appropriate and relevant to a company limited by guarantee, without shareholders. As a subsidiary, the Company therefore acts in line with the corporate governance arrangements set and operated by its Parent, including Bupa Group's policies and procedures. How the Company's Parent has chosen to apply the Code in accordance with the comply or explain requirements, is set out in the Governance section of its 2023 Annual Report and Accounts which can be found on its website (www.bupa.com/about-us/governance), .

Bupa's Governance Structure

Bupa's governance structure is set by its Parent's Board and supports its systems of controls and risk management for the Group to ensure the Bupa Group is operated and is managed in the most effective and responsible way in accordance with our purpose and corporate values.

Audit, risk, and internal control

Bupa has a Risk Management Framework which follows the 'three lines' approach to risk that is common in financial service organisations. It is intended to ensure appropriate governance is in place, risk appetite is set for key areas of business and risk, effective controls are in place to either eliminate or mitigate risk, controls, are documented, and that there is adequate data capture and reporting to monitor the risks, risk management and controls and their effectiveness throughout the Group. Detail on Company's key risks, risk profile and how the risks are mitigated and managed is set out earlier in the Risk section of the Strategic Report on pages 15 to 18.

Under its governance, and in accordance with the Code, the Company's Parent Board has delegated the oversight and monitoring of the systems of internal control and risk management to its Board Audit and Risk Committees, respectively. The Parent Board's Audit Committee has also been given specific delegated authority to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements, and any other formal announcement relating to their financial performance; and to review and report to the Parent and Company's Boards on significant financial reporting issues and the judgements that those statements contain, having regard to matters communicated by the External Auditor, PwC. The Parent Board's Audit Committee performs the functions in DTR 7.1.3 and DTR 7.2.5 in respect of the Company and details of its members can be found on www.bupa.com/about-us/governance and the Board of Directors pages in the Parent's 2023 Annual Report and Accounts.

Three Lines Model

First-line accountability

All of Bupa's people have first-line accountability to have awareness of the risks relevant to their role and work, and to manage them in accordance with our policies, the Bupa Code and relevant laws and regulations. This keeps the Group safe, including Bupa's customers. The programme to develop a Group-wide Integrated Management System (IMS) to map and document Bupa's risks and processes continued in 2023 and is designed to enhance first-line accountability. All Bupa's people also receive mandatory training on key topics and role-specific training to ensure they have appropriate knowledge and awareness.

Second-line assurance - Risk and clinical governance

The second-line is performed by the Group Risk function, led by the Group Chief Risk Officer (Group CRO). The function operates across the Group and each Market Unit has its own chief risk officer. The Group Risk function monitors risks and the application of the Risk Management Framework, operation of controls, adherence to the risk appetites in the first-line and clinical governance, and reports to an executive forum, the Bupa Executive Risk Committee (BERC), comprised of direct executive reports to the Group's Chief Executive Officer (Group CEO). The BERC supports the Group CRO to perform his SMCR Group oversight role of Bupa's UK regulated subsidiaries. The function provides reports to the Parent Board's Risk Committee to support its independent monitoring and oversight of risk management and its effectiveness on behalf of the Parent's Board, including a second-line view on the effectiveness of internal controls and the management of risks within appetite.

Governance

For the year ended 31 December 2023

Third-line assurance - Internal Audit

The third line is the Group Internal Audit function which operates as a global function and undertakes independent assurance on behalf of the Parent's Board and its Audit Committee. The function is headed by the Group Chief Audit Officer (Group CAO), who is appointed by the Parent's Audit Committee. Group Internal Audit operates in line with the global Institute of Internal Auditors' (IIA) International Standards and UK Financial Services Code, and other applicable legal and regulatory requirements. Its role, authority and independence are set out in the Internal Audit Charter, which is reviewed and approved annually by the Parent Board's Audit Committee. Each year Group Internal Audit develops a risk-based assurance plan, taking account of the Group's key risks, business plans, regulatory requirements, and other relevant information. The plan is reviewed and approved by the Parent's Audit Committee and relevant subsidiary audit committees and updated periodically as required. The internal audits are globally coordinated and/or typically performed by Market Unit or Business Unit internal audit teams, who are supported by global operations and analytics teams. Internal audits typically provide an assessment of the effectiveness of risk management and internal control, including evaluation and testing of the design and effectiveness of key governance, management, and operational controls as appropriate. Group Internal Audit reports findings from its work to management and agrees actions to address weaknesses or make improvements, which are management's responsibility to implement. The Parent Board's Audit Committee, and subsidiary audit and risk committees, receive summary reports from the Group or Market Unit Chief Audit Officer on all of Group Internal Audit's work, including summary observations relating to the effectiveness of the Group's risk management and internal control framework.

Oversight and annual review of the Group CAO and Group Internal Audit function's performance is performed by the Parent's Audit Committee, with an external quality assessment undertaken every five years in accordance with IIA International Standards. The next external quality assessment is due in 2027.

External Auditor

The Company has appointed PricewaterhouseCoopers LLP (PwC) as its External Auditor, to provide independent external assurance on the audited financial information in Bupa's Annual Report Accounts, as well as other reviews and limited assurance activities. The process for the tender and selection of an External Auditor, and their appointment and reappointment, is run by the Parent Board's Audit Committee, which also reviews and approves the scope, terms, and fee for the External Auditor's work on behalf of Bupa's Group, and ensures PwC have the requisite internal procedures and controls, and resources, to perform effectively, independently, objectively and in accordance with the FRC's Revised Ethical Standard 2019. Following its reviews the Parent Board Audit Committee recommended the reappointment of PwC, which the Company approved and will propose to its shareholder at its Annual General Meeting. From time to time it may be appropriate for the Company to request PwC undertake work outside of the scope of the external audit. In order to ensure that that PwC's objectivity and independence is preserved the Bupa Group has a Non-Audit Services Policy, that the Company adopts, which sets out the circumstances under which PwC can be engaged for non-audit services, employment restrictions and the applicable controls. Details of non-audit services and fees during 2023, and fees paid to PwC, are set out in the Notes to the Accounts on page 59.

Whistleblowing

Bupa's culture and values encourage its people, and third parties, 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. Regular internal campaigns are run to raise awareness of Speak Up, Bupa's internal whistleblowing process, and provide feedback on the actions taken in response to concerns raised. All employees complete mandatory annual training and there are Speak Up officers for each business. Bupa uses its biannual People Pulse engagement survey to test the level of confidence people have in Speak Up, and invites feedback. The Parent Board's Audit Committee annually reviews the Group's Speak Up Policy to ensure that it is robust and operating effectively and recommends it to the Parent Board for approval, and it receives regular updates on issues reported through Speak Up during the year and on investigations and actions taken.

Report of the Directors

Disclosure compliance

The Strategic Report and the audited financial statements are presented on pages 3 to 18 and from page 36, respectively. The Governance report on pages 19 to 23 comprises the Directors' report.

The following disclosures required to be contained in the Directors' report under the Companies Act 2006 (the Act) and related regulations, or required to be contained in the Annual Report under Listing Rule 9.8.4, are set out on the pages referred to below and incorporated by reference into this Directors' report:

Governance

For the year ended 31 December 2023

Disclosure	Location
Financial instruments	Notes 10 & 11, pages 77-80
Risk management objectives and policies	Note 25, page 98-110
Assessment or principal and emerging risks	Risk, pages 15-18
Likely future business developments	Strategic Report, pages 3-18
Acquisitions and disposals	Note 23, pages 95-97
Financial performance	Pages 9-12
Post balance sheet event	Note 1.8, page 49
Relationships with suppliers, customers, and others	Section 172 statement, pages 12-14
Engagement with employees	Strategic Report, page 13

Insurance and indemnities

The Group has a directors' and officers' insurance policy in place, together with indemnities for the Directors and certain senior managers, to the extent permitted by English law and the Company's Articles of Association.

These cover all losses arising out of, or in connection with, the execution of their powers, duties, and responsibilities, as Directors of the Company or of any of its subsidiaries. These have been in place throughout 2023 and to the date of this Annual Report. There are no other qualifying third-party indemnity provisions or pension indemnity provisions in place.

Going concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The going concern assessment in Note 1: Basis of Preparation on page 44 includes information on the Directors' detailed assessment of the Group's status as a going concern.

Longer-term viability

The Directors have examined the outlook for the Company and the Group as required by provision 31 of the Code, assessing our ability to operate and meet our liabilities as they fall due over a three-year period.

Bupa's 3x6 Strategy introduced in 2021 is the driving force behind the transformation agenda and planning process. A three-year assessment period was chosen for the longer-term viability assessment because it ties in with our internal planning process. Bupa's 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 affect Bupa as a whole.

As part of the assessment of viability, the Directors looked at the 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 liquidity position of the Group is expected to remain strong across the three-year period. The forecast assumes that the £300m senior bond maturing in 2024 is repaid from available liquidity.

A number of reasonably plausible severe scenarios were considered as well as contingent liabilities. Our most severe reasonably possible scenarios considered adverse outcomes from the Chile Supreme Court decision described on page 111, combined with economic stresses and other factors. The outcomes considered in relation to Chile were materially worse outcomes than the Solvency II capital allocated against the contingency given the inherent uncertainty surrounding the implementation of the Chile Supreme Court decision. A variety of local scenarios developed by each Business Unit were separately considered with the majority focusing on governmental, legal and regulatory risk and risks from climate change. Under the most severe scenarios considered, the forecast liquidity position reduces and management actions would be required to remain within the Group's liquidity appetite over the three-year planning period. Management actions include reducing expenditure, obtaining additional funding or divesting investments or businesses.

'Reverse stress testing' is also conducted at the Group level, aimed at identifying hypothetical circumstances that might result in our business model failing and helps the Directors to better understand the Group's risks. The Group remains most exposed to failure through a lack of liquidity at the Group centre, although multiple improbable events would need to occur in order to induce failure (prior to the taking of management actions) in the timeframe considered.

The most recent ORSA, that brings together the outcomes of risk management and financial management processes, considers the level of regulatory capital we require to remain financially stable over the planning period given the nature of the risks we currently face, our strategy and our risk appetite. It takes into account the quantification of the Group's current risks as defined by the Solvency II Directive and considers the impact of potential stressed scenarios that are aligned to our risk profile. It also sets out the management actions, identified as part of the Group's Recovery Plan, that are available to address challenges to the Group's liquidity or solvency position. This assessment concluded that we expect to have sufficient capital assets to continue to meet regulatory requirements over a three-year period.

Governance

For the year ended 31 December 2023

Although Bupa pays interest on its borrowings, it has no shareholders and therefore does not pay dividends. Instead, Bupa can invest in growing organically and through acquisition. This expenditure is largely discretionary and can be reduced if required.

Following a review of the key risks and uncertainties set out in Risk on pages 15 to 18, the Directors are satisfied that there are appropriate risk management and governance procedures in place to manage and mitigate these risks over the three-year period. Emerging risks are identified and reported on to ensure that they are properly understood and are considered in future strategic decisions.

While continuing uncertainty exists as a result of the challenging macroeconomic and geopolitical environment, the Group's diversified business model continues to support the viability of the Group over the period considered.

Based on this analysis and regular risk and capital reporting processes, the Directors have a reasonable expectation that Bupa 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 2026.

Dividends

The Company paid interim dividends of £134 million (2022: £89 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 UK-adopted international accounting standards in conformity with the Act.

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 UK-adopted international accounting standards
- 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 Act. 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.

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.

Each of the current Directors, whose names and positions are set out on page 2, confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Governance

For the year ended 31 December 2023

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, PwC, 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 PwC is aware of that information.

External Auditor reappointment

A resolution to re-appoint PwC as the Company's External Auditor will be put to the Company's forthcoming AGM.

On behalf of the Board

James Lenton

Director

6 March 2024

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 2023 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 as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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: Consolidated and Company Statement of Financial Position as at 31 December 2023; Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 2.3.2, 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: Bupa Asia Pacific; Europe and Latin America; Bupa Global and UK; and Other businesses, which includes investments in associates. In planning for our 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 year's audit, 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 teams with the relevant industry experience in all significant locations in which the Group operates and we continue to utilise virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit evidence whilst working in a hybrid environment. On a rotational basis, we meet with a number of our component teams and local management in person to fulfil our ISA 600 (UK) responsibilities.

We have also considered the sustainability commitments made by the directors and 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 (continued)

Overview

Audit scope

- The Group has four reportable segments, in addition to the Group Functions activities. Each reportable segment includes a number of reporting components across different locations and service lines.
- We conducted audit testing over 29 components. These were selected based on our assessment of inherent risk and their financial significance to the consolidated financial results.
- 8 components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions for a further 21 components.
- Our audit scope provided coverage of 85% of IFRS profit before taxation expense.

Key audit matters

- Implementation of IFRS 17 (Group)
- Valuation of the estimate of the present value of future cash flows within the liability for incurred claims (Insurance contract liabilities) (Group)
- Valuation of freehold property and investment property (Group)
- Impairment of goodwill or reversal of previous impairments to other intangible and tangible assets (Group)
- Classification, recognition and disclosure of certain liabilities relating to Isapre Cruz Blanca (Bupa Chile) under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Group)
- Recoverability of Company's investment in subsidiaries (Company)

Materiality

- Overall Group materiality: £48.0 million (FY22: £30.8 million) based on 5% of Profit before taxation expense adjusted for certain non-recurring items.
- Overall Company materiality: £26.4 million (FY22: £14.1 million) based on 1% of Net assets.
- Performance materiality: £36.0 million (FY22: £23.1 million) (Group) and £19.7 million (FY22: £10.6 million) (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.

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.

Implementation of IFRS 17 and Valuation of the present value of future cash flows within the liability for incurred claims are new key audit matters this year. Valuation of provisions arising from insurance contracts, Valuation of equity impact from the transition to IFRS 17 and Application of IAS 29 - financial reporting in hyperinflationary economies, which were key audit matters last year, are no longer included because of the update in the application of hyperinflationary accounting for Türkiye now embedded in the group's business as usual processes. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of Bupa Finance plc (continued)

Key audit matter	How our audit addressed the key audit matter
Implementation of IFRS 17 (Group) Refer to Note 1.5 (for accounting policy and financial disclosures) The Group adopted IFRS 17 for insurance contracts as at 1 January 2023. This has led to changes in the valuation of insurance contract liabilities, recognition of insurance revenue and expenses, and the presentation of the financial statements. We have determined the implementation of IFRS 17 to be a key audit matter in the current year due to the significance of the changes brought about by the new Standard. The Group has applied the premium allocation approach ("PAA") to most of its insurance contracts given their short tailed nature. Key areas of focus were: Unit of account and contract boundaries The determination of the unit of account and contract boundaries are new considerations required by the Standard. There is often an element of judgement in how these are determined, and these initial considerations have downstream implications for PAA eligibility and on the size of any loss component recognised. PAA eligibility The majority of Bupa's policies have a coverage period of one year or less and are therefore eligible to apply PAA. For policies with a coverage period greater than 12 months, judgement is required to determine whether there would be a material difference in applying the PAA or the General measurement model ("GMM"). There is a small amount of business around the Group that is not eligible for PAA and for these groups of contracts, the GMM is applied. Loss component The consideration of units of account drive the onerous contract assessments at a more granular level than previously under IFRS 4. Under IFRS 17 loss components have been recognised for groups of contracts that did not have an associated unexpired risk reserve under IFRS 4. Allocation of expenses to insurance contracts Insurance service expenses include claims and non-claims expenses. Non-claims expenses are required to be split between attributable and non-attributable expenses which requires judgement.	The work to address the implementation of IFRS 17 included the following procedures that we performed: - Assessed and tested the design and implementation of controls around the first-time adoption of IFRS 17; - Considered the application of accounting policies for in-scope components to assess whether the policies were applied consistently across the Group; - Assessed the appropriateness of key judgements used to determine accounting policies and that the chosen accounting policies are in-line with the requirements of the Standard. This included the judgements in relation to the determination of the unit of account and contract boundaries; - Evaluated the appropriateness of management's PAA eligibility analysis and conclusions, including testing the completeness and accuracy of supporting data, evaluating reasonably expected scenarios and testing the accuracy of the models; - Evaluated the appropriateness of methodologies and assumptions used in determining loss components recognised, and tested the accuracy of the loss component calculation through reperformance; and - Tested the appropriateness of the split of non-claims expenses between attributable and non-attributable. Based on the procedures performed, we consider the requirements of IFRS 17 have been implemented appropriately, including the use of appropriate accounting policies, and that judgements applied are appropriate.

Independent auditors' report to the members of Bupa Finance plc (continued)

Valuation of the estimate of the present value of future cash flows within the liability for incurred claims (Insurance contract liabilities) (Group) Refer to Note 12 (for accounting policy and financial disclosures) Insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LFIC), which comprises the estimate of the present value of future cash flows and the risk adjustment. We have determined the estimate of the present value of future cash flows to be an area of focus given its magnitude and the judgement required in estimating the cash flows, in particular for incurred claims. Estimate of the present value of future cash flows within the liability for incurred claims £1,313m (2022: £1,176m) The estimate of the present value of future cash flows is based on certain key assumptions relating to the frequency, severity and settlement patterns of insurance claims. Established actuarial techniques including the chain ladder, Bornhuetter-Ferguson and pure risk cost methods are used to produce a best estimate of the present value of future cash flows. Consideration is made for the claims inflation assumptions and expected trends in medical costs and treatments. The frequency and severity of health insurance claims are generally highly predictable with claims settled within a few months of a medical event that has led to a claim. Given the short-tailed nature of the insurance, the key source of estimation uncertainty is in relation to estimating the incurred claims for the most recent months before 31 December 2023.	The work performed to address the valuation of the estimate of future cash flows for insurance contracts included the following procedures: • Understood and evaluated the processes and controls in place to determine the estimate of future cash flows; • Tested the design and implementation of controls in place over the estimate of future cash flows, including those covering the approval of assumptions, and the 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 estimate of future cash flows for reasonableness compared to historic experience, including the impact of inflation; ◦ Performed independent estimate calculations for 53% of the estimate of future cash flows, comparing our estimates to those booked by management, and investigated differences, where material; ◦ Evaluated the methodology and assumptions applied by management for a further 29% of the estimate of future cash flows, including reperforming management's calculations and performing sensitivities to determine if the assumptions used were reasonable; and ◦ Performed diagnostic testing for the remaining estimates to identify and investigate any anomalies. Based on the procedures performed and the evidence obtained, we consider the valuation of the estimate of the present value of future cash flows within the liability for incurred claims to be appropriate.
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Independent auditors' report to the members of Bupa Finance plc (continued)

Valuation of freehold property and investment property (Group) Refer to Notes 4 and 5 (for accounting policy and financial disclosures) The Group holds significant freehold property and 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 properties Freehold properties of £2,073m (2022: £2,210m) comprise care homes, care villages, clinics, hospitals and offices across a number of locations. The properties are held under the revaluation model and are subject to periodic, and at least triennial, valuations performed by external independent valuation experts performed in accordance with relevant industry guidelines. The valuations are judgemental and involve 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 in the year, a directors' valuation is conducted to determine if the carrying amount of the property remains appropriate and does not differ materially from the fair value at the end of the year. At 31 December 2023 management obtained external valuations for £55m of the total freehold property valuation, with the remaining balance being valued by the Directors. Investment properties Investment properties of £776m (2022: £750m) 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, capital growth rate and expected rental yields.	For the 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; - 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 as well as considered external benchmarks and external forecasts; - For Directors' valuations, using internal valuation experts we have also challenged management's inputs to the valuation models, with reference to the most recent external valuation. Based on the procedures performed and the evidence obtained, we consider the valuation of freehold property and investment property to be appropriate.
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Independent auditors' report to the members of Bupa Finance plc (continued)

Impairment of goodwill or reversal of previous impairments to other intangible and tangible assets (Group) Refer to Note 3 (for accounting policy and financial disclosures) Where an individual asset or Cash Generating Unit ("CGU") has an indication of impairment, or for CGUs that have been allocated Goodwill (whether there are impairment indicators or not), these should be tested for impairment. An impairment review of a CGU covers all of its tangible assets, intangible assets and attributable goodwill. Where the recoverable amount of an individual asset or CGU is lower than the carrying value of a CGU, an impairment loss is recognised. Where there is any indication that a previous impairment loss for an asset other than goodwill either no longer exists or has decreased, the recoverable amount should be estimated and an assessment performed of whether there should be a reversal of an impairment loss. Estimating and discounting the cash flow projections used in the impairment assessments requires significant judgement. The key assumptions include the discount rate and the forecast cash flows, including the terminal growth rate. We identified one CGU as having a higher risk of impairment (or impairment reversal), namely Bupa Dental Care UK, and the valuation of the goodwill and intangible assets in this CGU was an area of audit focus. As disclosed in Note 3 of the financial statements, there has been no change in the carrying value of the goodwill relating to this CGU of £191m (2022: £191m) with headroom in the goodwill impairment assessment of £72m (2022: £nil).	We performed the following procedures over management's impairment assessment of the Bupa Dental Care UK CGU: 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. - Used our valuation experts to independently determine a reasonable range for the CGU discount rate, using external comparable market information where possible. Assessed how the rate used by management compared to that range and the sensitivity of rate changes to the overall impairment assessment. Model integrity - Verified the discounted cash flow models, including validating the numerical accuracy 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 management where forecasts indicated performance that deviated significantly from historical performance. - Challenged key assumptions in the cash flow projections, including available clinician hours and the terminal growth rates applied, and obtained supporting internal or external information. - Performed sensitivity analyses on the key assumptions. Impairment reversal assessment - Assessed whether the headroom identified represented an increase in the estimated service potential of an asset indicating a reversal of a previous impairment loss. 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 that the carrying value of goodwill in the Dental Care UK CGU is reasonable and there was not sufficient evidence to support any reversal of the previously recorded impairment to other intangible and tangible assets.
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Independent auditors' report to the members of Bupa Finance plc (continued)

Classification, recognition and disclosure of certain liabilities relating to Isapre Cruz Blanca (Bupa Chile) under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Group) Refer to Note 27 (for accounting policy and financial disclosures) In 2022, the Supreme Court in Chile issued a ruling that obliges Isapres to make use of a specific table of risk factors in determining insurance premiums charged, including retrospectively. The calculation of the impact of the ruling on Bupa Chile is dependent on the approval of new legislation and detailed application guidelines which will be issued by the Chilean Superintendent of Health. During 2023 and 2024 the matter progressed through the legislative process, including consideration of a number of different proposals which could have a wide range of possible outcomes. There is considerable scope for the law to be either amended or rejected prior to the legislative process concluding. Given the uncertainty and the broad range of possible outcomes, the Directors have determined that it is not possible to reliably estimate the related liability. Therefore, this is disclosed as a contingent liability as explained in Note 27. The Directors have disclosed an indication of financial impact in relation to the capital held for this matter for Group Solvency II reporting purposes.	To address the classification, recognition and disclosure of the contingent liability we performed the following procedures: • Critically challenged management's assessment that the Supreme Court Ruling gives rise to a contingent liability, specifically, that is not possible to determine a reliable estimate; • Reviewed announcements made by the Superintendent of Health relating to the application of the Supreme Court Ruling; • Reviewed the draft laws and subsequent amendments presented to the Chilean Senate, and the report issued by the Senate Health Technical Commission; • Evaluated the methodology and assumptions used to calculate the financial effect of the contingent liability for Solvency II purposes as disclosed in note 27, considering whether this in itself provided a reliable estimate; and • Assessed whether the disclosures meet the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Based on the procedures performed and the evidence obtained, we consider the classification, recognition and disclosure under IAS 37 Provisions, Contingent Liabilities and Contingent Assets to be appropriate.
Recoverability of Company's investment in subsidiaries (Company) Refer to Company accounting policy (j) and Note C (for financial disclosures) The Company holds investments in subsidiaries with a carrying value of £4,337m (2022: £4,046m). Where there are indicators of impairment management compares the carrying value to a recoverable amount, based on discounting estimated future cash flows 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 right of use asset 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. 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 8 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.

Independent auditors' report to the members of Bupa Finance plc (continued)

We identified a further 21 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 87% of Group Revenue, 85% of Group profit before taxation expense and 76% of Group Total assets.

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

We performed analytical review procedures over the remaining components.

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 our oversight of the work performed by auditors of the components included performing the following procedures:

- Issued group instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Reviewed reporting requested from component teams, including on those areas determined to be of heightened audit risk; and.
- Reviewed component team detailed working papers, where relevant. We have performed a detailed review of key audit working papers at all in-scope components through a mixture of remote working and site visits.

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

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements. In addition to enquiries with management, we also understood the governance processes in place to assess climate risk, read internal management reporting on climate risks and read additional external reporting by the entity on climate, including sustainability publications.

We have also made enquiries to understand, and performed a risk assessment in respect of, the commitments made by the Group and how these may affect the financial statements and the audit procedures that we perform. We have assessed the risks of material misstatement to the financial statements as a result of climate change and concluded that for the year end 31 December 2023, the main audit risks are related to consistency of disclosures included within the Annual Report and 'other information' including the Strategic Report.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

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.

Independent auditors' report to the members of Bupa Finance plc (continued)

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

	Financial statements - Group	Financial statements - Company
<i>Overall materiality</i>	£48.0 million (FY22: £30.8 million).	£26.4 million (FY22: £14.1 million).
<i>How we determined it</i>	5% of Profit before taxation expense adjusted for certain non-recurring items	1% of Net assets
<i>Rationale for benchmark applied</i>	In determining our materiality, we have considered the financial metrics which we believed to be relevant, and concluded that Group Profit before taxation expense adjusted for certain non-recurring items, notably the giveback payments to Australia Health Insurance customers and the amortisation of bed licenses, was the most appropriate benchmark. This is because the Group is profit-orientated, but the non-recurring items have significantly distorted the result of the Group. We consider that the resulting materiality level is appropriate for the size and complexity of the Group and relevant to the users of the financial statements. We have substantively tested the non-recurring items excluded to a lower materiality level.	In determining our materiality, we considered the financial metrics which we believed to be relevant and concluded that Net assets was the most appropriate benchmark given the Company has issued listed debt.

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 £4.0 million to £18.0 million. 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% (FY22: 75%) of overall materiality, amounting to £36.0 million (FY22: £23.1 million) for the Group financial statements and £19.7 million (FY22: £10.6 million) 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) (FY22: £1.2m) and £1.2m (Company audit) (FY22: £0.7m) 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 Group's regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessing 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 any significant risks facing the business, 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.

Independent auditors' report to the members of Bupa Finance plc (continued)

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 2023 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.

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

Independent auditors' report to the members of Bupa Finance plc (continued)

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 judgemental areas of the financial statements, including those shown in our Key Audit Matters, and the override of controls including the posting of inappropriate journal entries. 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;
- 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 Group Chief Risk 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. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2021 to 31 December 2023.

Independent auditors' report to the members of Bupa Finance plc (continued)

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, 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
6 March 2024

Consolidated Income Statement

for the year ended 31 December 2023

	Note	2023 £m	2022 restated ^{1, 2} £m
Insurance revenue	2, 12.1	10,770	10,033
Insurance service expenses	2.1, 12.1	(10,318)	(9,339)
Insurance service result before reinsurance contracts held	12.1	452	694
Net expense from reinsurance contracts held	12.2	(7)	(22)
Insurance service result		445	672
Care, health and other customer contract revenue	2.2	4,268	3,967
Other revenue ¹	2.2	78	81
Total non-insurance revenue		4,346	4,048
Share of post-taxation results of equity-accounted investments ¹	6	83	44
Impairment of goodwill and intangible assets	3	(17)	(894)
Other operating expenses ¹	2.3	(4,292)	(4,093)
Other income and charges ²	2.4	42	(11)
Total other expenses, income and charges		(4,184)	(4,954)
Profit/(loss) before financial income and expense		607	(234)
Financial income and expense			
Financial income ²	2.5	363	158
Financial expense	2.5	(190)	(174)
Financial (expense)/income from insurance contracts issued	2.5, 12.1	(25)	16
Net monetary loss ¹	1.7	(18)	(25)
Net impairment on financial assets		(20)	(10)
Net financial income/(expense)		110	(35)
Profit/(loss) before taxation expense		717	(269)
Taxation expense¹	2.6	(177)	(130)
Profit/(loss) for the year		540	(399)
Attributable to:			
Shareholder of Bupa Finance plc ¹		538	(402)
Non-controlling interests		2	3
Profit/(loss) for the year		540	(399)

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

2. Surplus on fair value of investment property has been reclassified and is now presented within other income and charges (see Note 2.4).

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 £m	2022 restated ¹ £m
Profit/(loss) for the year¹		540	(399)
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Unrealised loss on revaluation of property	4	(15)	(44)
Remeasurement gain on pension schemes	7	–	3
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	–	12
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	(55)	112
Other foreign exchange translation differences ¹		(235)	332
Net gain/(loss) on hedge of net investment in overseas subsidiaries		73	(80)
Share of other comprehensive income of equity-accounted investments		2	2
Change in fair value of financial investments through other comprehensive income		(4)	(4)
Change in ECL of financial investments through other comprehensive income		1	–
Realised loss on disposal of financial investments at fair value through other comprehensive income		4	–
Change in cash flow hedge reserve		(7)	–
Release of foreign exchange translation reserve on closure of subsidiaries		(2)	4
Total other comprehensive (expense)/income		(238)	337
Comprehensive income/(expense) for the year		302	(62)
Attributable to:			
Shareholder of Bupa Finance plc ¹		302	(67)
Non-controlling interests		–	5
Comprehensive income/(expense) for the year		302	(62)

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

		2023	2022 restated ¹	At 1 January 2022 restated ¹
	Note	£m	£m	£m
Assets				
Goodwill and intangible assets	3	2,660	2,740	3,518
Property, plant and equipment	4	3,605	3,691	3,793
Investment property	5	776	750	666
Equity-accounted investments ¹	6	1,056	997	885
Post-employment benefit net assets	7	2	2	1
Deferred taxation assets ¹	8	95	127	64
Restricted assets	9	122	119	158
Financial investments	10	3,638	3,716	2,911
Derivative assets	11	46	28	41
Reinsurance contract assets ¹	12.2	38	21	18
Current taxation assets		50	23	15
Inventories	13	76	91	93
Trade and other receivables ¹	14	829	938	616
Assets held for sale	15	48	32	38
Cash and cash equivalents	16	2,278	1,403	1,739
Total assets		15,319	14,678	14,556
Liabilities				
Subordinated liabilities	17	(747)	(998)	(997)
Other interest-bearing liabilities	17	(1,090)	(648)	(822)
Post-employment benefit net liabilities	7	(8)	(7)	(9)
Lease liabilities	18	(894)	(926)	(915)
Deferred taxation liabilities ¹	8	(115)	(112)	(144)
Derivative liabilities	11	(63)	(137)	(35)
Provisions for liabilities and charges ¹	19	(335)	(287)	(265)
Insurance contract liabilities ¹	12.1	(2,608)	(2,378)	(2,191)
Current taxation liabilities		(35)	(34)	(55)
Trade and other payables ¹	20	(2,417)	(2,308)	(2,114)
Liabilities associated with assets held for sale	15	(9)	(1)	(4)
Total liabilities		(8,321)	(7,836)	(7,551)
Net assets		6,998	6,842	7,005
Equity				
Share capital	22	200	200	200
Foreign exchange translation reserve ¹		241	437	91
Property revaluation reserve		601	634	655
Cash flow hedge reserve		(7)	–	–
Income and expenditure reserve ¹		5,648	5,254	5,745
Equity attributable to shareholder of Bupa Finance plc		6,683	6,525	6,691
Restricted Tier 1 notes	21	297	297	297
Non-controlling interests	28	18	20	17
Total equity		6,998	6,842	7,005

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Approved by the Board of Directors and signed on its behalf on 6 March 2024 by

James Lenton
Director

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £m	2022 restated ¹ £m
Cash flow from operating activities			
Profit/(loss) before taxation expense ¹		717	(269)
<i>Adjustments for:</i>			
Net financial (income)/expense ¹		(153)	26
Net monetary loss ¹	1.7	18	25
Depreciation, amortisation and impairment	3, 4, 15	496	1,522
Other non-cash items ¹		(162)	(49)
<i>Changes in working capital and provisions:</i>			
Increase in insurance contract liabilities		342	131
Increase in reinsurance contract assets		(18)	(1)
Funded pension scheme employer contributions		(1)	(1)
Decrease/(increase) in trade and other receivables, and other assets		2	(191)
Increase in trade and other payables, and other liabilities ¹		232	73
Cash generated from operations		1,473	1,266
Income taxation paid		(175)	(232)
Decrease in cash held in restricted assets		6	5
Net cash generated from operating activities		1,304	1,039
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		(63)	(29)
Investment in equity-accounted investments	6	(22)	(14)
Dividends received from associates		42	42
Disposal of subsidiaries and other businesses, net of cash disposed of		30	3
Purchase of intangible assets	3	(117)	(111)
Purchase of property, plant and equipment	4	(260)	(208)
Proceeds from sale of property, plant and equipment		19	7
Purchase of investment property	5	(38)	(29)
Disposal of investment property	5	–	1
Purchases of financial investments, excluding deposits with credit institutions		(1,983)	(1,720)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		1,921	1,222
Net withdrawals from/(investments into) deposits with credit institutions		88	(119)
Interest received		241	82
Net cash used in investing activities		(142)	(873)
Cash flow from financing activities			
Payment of Restricted Tier 1 coupon	21	(12)	(12)
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		493	51
Repayment of interest-bearing liabilities and other borrowings		(342)	(194)
Principal repayment of lease liabilities		(148)	(135)
Payment of interest on lease liabilities	18	(49)	(46)
Interest paid		(66)	(64)
Net receipts/(payments) on settlement of hedging instruments		57	(57)
Dividends paid		(134)	(89)
Dividends paid to non-controlling interests		(2)	(2)
Net cash used in financing activities		(203)	(548)
Net increase/(decrease) in cash and cash equivalents		959	(382)
Cash and cash equivalents at beginning of year ²		1,479	1,850
Effect of exchange rate changes		(76)	11
Cash and cash equivalents at end of year²	16	2,362	1,479

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

2. Includes restricted cash of £87m (2022: £78m) which are considered cash and cash equivalents along with cash balances classified as held for sale of £2m (2022: £nil) and bank overdrafts of £1m (2022: £2m) which are not considered cash and cash equivalents in Note 16.

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Share Capital £m	Foreign exchange translation reserve £m	Property revaluation reserve £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total attributable to shareholder of Bupa Finance plc £m	Restricted Tier 1 notes £m	Non-controlling interests £m	Total equity £m
2023										
Balance as at 1 January 2023		200	437	634	–	5,254	6,525	297	20	6,842
Profit for the year		–	–	–	–	538	538	–	2	540
Other comprehensive income/(expense)										
Unrealised loss on revaluation of property	4	–	–	(15)	–	–	(15)	–	–	(15)
Realised revaluation profit on disposal of property		–	–	(5)	–	5	–	–	–	–
Foreign exchange translation differences on goodwill	3	–	(55)	–	–	–	(55)	–	–	(55)
Other foreign exchange translation differences		–	(212)	(13)	–	(8)	(233)	–	(2)	(235)
Net gain on hedge of net investment in overseas subsidiaries	25.3	–	73	–	–	–	73	–	–	73
Share of other comprehensive income of equity-accounted investments		–	–	–	–	2	2	–	–	2
Change in fair value of financial investments through other comprehensive income		–	–	–	–	(4)	(4)	–	–	(4)
Change in ECL of financial investments through other comprehensive income		–	–	–	–	1	1	–	–	1
Realised loss on disposal of financial investments at fair value through other comprehensive income		–	–	–	–	4	4	–	–	4
Change in cash flow hedge reserve		–	–	–	(7)	–	(7)	–	–	(7)
Release of foreign exchange translation reserve on closure of subsidiaries		–	(2)	–	–	–	(2)	–	–	(2)
Other comprehensive expense for the year, net of taxation		–	(196)	(33)	(7)	–	(236)	–	(2)	(238)
Total comprehensive (expense)/income for the year		–	(196)	(33)	(7)	538	302	–	–	302
Payment of Restricted Tier 1 coupon, net of taxation	2.6, 21	–	–	–	–	(10)	(10)	–	–	(10)
Dividends to shareholder of the Company		–	–	–	–	(134)	(134)	–	–	(134)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(2)	(2)
Balance as at 31 December 2023		200	241	601	(7)	5,648	6,683	297	18	6,998

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2023

	Note	Share Capital £m	Foreign exchange translation reserve ¹ £m	Property revaluation reserve £m	Income and expenditure reserve ¹ £m	Total attributable to shareholder of Bupa Finance plc ¹ £m	Restricted Tier 1 notes £m	Non-controlling interests £m	Total equity ¹ £m
2022									
Balance as at 1 January 2022, as previously reported		200	92	655	5,800	6,747	297	17	7,061
Initial application of IFRS 17	1.5	–	(1)	–	(55)	(56)	–	–	(56)
Balance as at 1 January 2022, as restated		200	91	655	5,745	6,691	297	17	7,005
(Loss)/profit for the year¹		–	–	–	(402)	(402)	–	3	(399)
Other comprehensive income/(expense)									
Unrealised loss on revaluation of property	4	–	–	(44)	–	(44)	–	–	(44)
Realised revaluation profit on disposal of property		–	–	(6)	6	–	–	–	–
Remeasurement gain on pension schemes	7	–	–	–	3	3	–	–	3
Foreign exchange translation differences on goodwill	3	–	112	–	–	112	–	–	112
Other foreign exchange translation differences ¹		–	310	17	3	330	–	2	332
Net loss on hedge of net investment in overseas subsidiaries	25.3	–	(80)	–	–	(80)	–	–	(80)
Share of other comprehensive income of equity-accounted investments		–	–	–	2	2	–	–	2
Change in fair value of financial investments through other comprehensive income		–	–	–	(4)	(4)	–	–	(4)
Release of foreign exchange translation reserve on closure of subsidiaries		–	4	–	–	4	–	–	4
Taxation credit on income and expense recognised directly in other comprehensive income	2.6	–	–	12	–	12	–	–	12
Other comprehensive income/(expense) for the year, net of taxation		–	346	(21)	10	335	–	2	337
Total comprehensive income/(expense) for the year		–	346	(21)	(392)	(67)	–	5	(62)
Payment of Restricted Tier 1 coupon, net of taxation	2.6, 21	–	–	–	(10)	(10)	–	–	(10)
Dividends to equity holder of the Company		–	–	–	(89)	(89)	–	–	(89)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(2)	(2)
Balance as at 31 December 2022, as restated		200	437	634	5,254	6,525	297	20	6,842

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Notes 1-28 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

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 and domiciled in the United Kingdom, 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 financial statements were approved by the Board of Directors on 6 March 2024. The Group's accounting policies have been applied consistently to all the years presented, and updated for the application of new and amended accounting standards as set out in Note 1.5, including the adoption of IFRS 17 Insurance Contracts.

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, and the application of IAS 29 to balances in hyperinflationary economies.

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 Consolidated Financial Statements 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 2023 comprise those of the Company and its subsidiaries, 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 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. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated Financial Statements.

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 shareholders' share of changes in equity since this date.

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 translates its results and financial position into the Group's presentational currency, sterling. Unless otherwise noted, the amounts shown in the Consolidated Financial Statements are in millions of pounds sterling (£m).

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 estimates are significant to the Consolidated Financial Statements, are set out below. Changes in these estimates could lead to a material adjustment to the carrying value of the assets and liabilities in the next financial year. Further detail is in the related notes.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

These have been updated to include ongoing judgements following the implementation of IFRS 17 Insurance Contracts. Details of judgements applied in the initial application of the standard have been included in Note 1.5 (a) below.

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 more frequently when there are indicators of impairment. Other intangible assets are tested for impairment when there are indicators of impairment. Sources of estimation uncertainty Impairment tests include a number of sources of estimation uncertainty as the key assumptions used when modelling the recoverable amount require estimating the discount rate, terminal growth rate and the forecast cash flows. Estimation uncertainties within these cash flows vary by cash-generating unit (CGU). For aged care these include occupancy rates, fee rates, staff and agency costs and operating expenses; for provision business, number of customers, available clinician hours, fee rates and operating expenses; and for insurance business, future insurance premium rises, claims volatility and claims inflation. Accounting judgements Judgement has been applied to determine whether there are indications of impairment to intangible assets or an indication that impairment should be reversed for intangible assets. In making this judgement, the Group has considered current trading and future plans associated with each of the assets, along with external market factors, in order to assess whether a full impairment assessment is required for impairments or reversal of impairments.	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. In addition, the Group has a significant portfolio of investment properties, primarily retirement villages in New Zealand. These properties are revalued annually. Sources of estimation uncertainty Significant assumptions for freehold property 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
Insurance contracts	Accounting judgements <i>Premium allocation approach (PAA)</i> The Group exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition. For a small number of insurance contracts, which have a coverage period that is greater than 12 months, the Group elects to apply the PAA, if at the inception of the contract the Group reasonably expects that it will provide a liability for remaining coverage (LFRC) that would not differ materially from the General Measurement Model (GMM). Sources of estimation uncertainty <i>Best estimate of claims provisioning</i> Estimates included in the insurance contract liabilities include expected claims payments and expenses required to settle existing insurance contract obligations. The key assumptions used in the calculation of the liability for incurred claims (LFIC) include claims development, claims costs inflation, medical trends and seasonality. Uncertainty exists particularly in relation to estimating the frequency and severity of incurred claims for the most recent months prior to the year end.	12
Provisions and contingent liabilities	The Group has circumstances arising in the ordinary course of business, including losses which might arise from litigation, disputes, and interpretation of tax law or local regulations. Judgement is exercised in determining whether the circumstances should give rise to the recognition of provisions or contingent liabilities. In the case of material contingent liabilities further judgement is required in arriving at appropriate disclosure of such matters. Accounting judgements Significant judgement has been applied in assessing whether a contingent liability or provision exists as a result of the ruling issued by the Supreme Court in Chile that obliges Isapres to make use of a specific table of risk factors.	27

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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 as well as consideration of contingent liabilities. Our most severe reasonably possible scenarios considered adverse outcomes from the Chile Supreme Court decision described in Note 27, combined with economic stresses and other factors. The Chile outcomes considered were materially worse than the Solvency II capital allocated against the contingency given the inherent uncertainty surrounding the implementation of the Supreme Court decision. Under this scenario, significant short-term reductions in profitability arise, and while the Group would continue to operate over the next 12 months, it would drop below its risk appetites for liquidity and regulatory solvency. Management actions would allow downside impacts to be mitigated, and risk appetites controlled, by reducing expenditure, obtaining additional funding or divesting investments or businesses. Within its liquidity resources, the Group makes use of 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.

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 3-18. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 9-12. The Directors' assessment of the Group's longer-term viability over a three-year period is described on pages 21-22.

1.5 Restatements and changes in accounting policies

Except where noted in (a)-(g) below, the Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements.

(a) IFRS 17 Insurance Contracts

IFRS 17 sets out the principles for the recognition, measurement and presentation of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Group has adopted IFRS 17 Insurance Contracts in these financial statements on a fully retrospective basis for the majority of the Group's business. The Group has used the fair value approach for a small legacy portfolio of individual health contracts in Brazil, as set out below.

Significant judgements on implementation of IFRS 17

On implementation of IFRS 17, significant judgements include the level of aggregation and the determination of the unit of account, the application of PAA, the determination of which expenses are directly attributable to insurance contracts and the identification of onerous contracts. The key considerations made by the Group on application of IFRS 17 are set out below.

See Note 1.3 for significant judgements and estimates relating to the application of IFRS 17 that are reassessed each reporting period.

Insurance contract classification

As a result of the Standard's specificity regarding the contracts that it is applicable to, the Group has reviewed contracts issued to customers by non-insurance businesses to ensure that no additional business has fallen within the scope of IFRS 17 when compared to IFRS 4. This concluded that no additional contracts should be brought into scope on adoption of IFRS 17.

Level of aggregation

IFRS 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'. As the Group essentially sells one 'health insurance' product line, where cash flows are generally expected to respond similarly in direction and timing to changes in assumptions, and the Group manages the insurance business at a geographic 'Business Unit' level, the Group has defined portfolios as insurance Business Units at a minimum, with further disaggregation if there are business lines which are managed separately and have different risk profiles. Portfolios are further divided into groups of contracts for the identification of onerous contracts.

There is a presumption under the PAA that no contracts are onerous unless there are facts and circumstances that indicate otherwise. However, the requirement to identify onerous contracts means that business is generally accounted for at a level lower than portfolios, being profitability groupings. This is the basis on which the standard requires various assessments to be made, e.g. PAA eligibility.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Contract boundary and PAA

IFRS 17 requires a current measurement model for insurance contracts where estimates are remeasured each reporting period. Under the GMM, 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. An optional, simplified PAA is permitted for eligible short-duration contracts.

In applying the standard, the Group has reviewed its insurance and reinsurance contracts and considered the contract boundary for each type of policy. The majority of policies have a coverage period of one year or less. As a result, the Group has taken the available policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM.

The Group has a small number of policy groups with a coverage period of greater than a year. For these groups of contracts, the Group has assessed whether the measurement of the LFRC under the PAA is expected to differ materially from that under the GMM. This required the use of a GMM and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed. The majority of contracts are eligible for the PAA measurement model either automatically or through this assessment.

Liability for incurred claims

The LFIC is consistent under the GMM and the PAA. The LFIC is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

Liability for remaining coverage

The LFRC under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs. In subsequent periods, the LFRC is amortised to recognise revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. This is recognised on a straight-line basis as the expected pattern of the release of risk during the coverage period does not differ significantly over the passage of time.

For groups of contracts where all contracts have a coverage period of one year or less, the Group has taken the policy decision available to expense insurance acquisition cash flows as incurred. Where the contracts within a group have a coverage period that is greater than one year, this policy choice is not available and the insurance acquisition cash flows are allocated to the relevant group of insurance contracts. Allocated insurance acquisition cash flows are included within the LFRC, alongside insurance receivables.

Under the PAA, a risk adjustment is recognised on all LFIC balances and on LFRC balances for onerous contracts issued. The Group has taken the decision to use a confidence level technique to estimate the risk adjustment.

Discounting

Discounting is optional for the LFRC carrying amount if the time between providing each part of the coverage and the related premium due date is one year or less and is optional for the LFIC if claims are expected to be paid in one year or less from the date the claims are incurred.

The Group does not apply discounting to the majority of policies. However, at transition, Bupa Acıbadem Sigorta has applied discounting to both the LFRC and LFIC due to the high interest rate and high inflation environment in Türkiye. Bupa Global has also applied discounting to LFIC for certain groups of insurance contracts as a proportion of claims are settled in a period in excess of one year. In addition, the LFRC for the legacy individual health policies in Brazil has been discounted due to the long-term nature of these contracts as detailed below. Where discounting is applied, the Group policy is to use PRA published discount rates or European Insurance and Occupational Pensions Authority (EIOPA) specified discount rates.

Onerous contracts

To identify potentially onerous contracts, the Group has considered information reviewed by senior management in monitoring financial performance. The Group assumes that no PAA contracts are onerous at initial recognition. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed. The loss component is valued by comparing the carrying amount of the LFRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. In subsequent periods, the loss component is reassessed and any movements are recognised within the Consolidated Income Statement.

Key estimation uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

Legacy individual health policies in Brazil

The Group has a small legacy portfolio of individual health contracts in Brazil. On transition to IFRS 17, the contract boundary of the policies has been deemed to be the lifetime of the policyholders due to mandatory renewal clauses included in the policies. These contracts are onerous and a GMM valuation has been used to calculate the loss component of £47m at transition on 1

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

January 2022. The loss component has been discounted due to the long-term nature of these contracts. IFRS 17 has been implemented for these contracts using the fair value approach.

Insurance service expenses

Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore included within insurance service expenses. The Group classifies the majority of expenses incurred by Insurance entities within insurance service expenses, except for those not directly attributable to insurance contracts.

Return of COVID-19 claims savings

In Australia Health Insurance, premium rate increase deferrals have been implemented to return claims savings to customers. The reduced premium received from customers is recognised on a passage of time basis over the policy coverage period.

In addition, Australia Health Insurance has announced cash payments to customers. A provision is recognised at the point the Group formally announces the cash payments and insurance revenue recognised within the Consolidated Income Statement is reduced accordingly. The provision is subsequently utilised on payment to the eligible customers. As the payment reflects a distinct promise associated with the return of COVID-19 savings to customers, the provision is reflected as a non-distinct investment component.

An insurance provision for the return of premiums was established in 2020 in respect of Bupa Insurance Limited following the commitment to pass back to eligible customers any exceptional financial benefits experienced by the UK PMI business that ultimately arose as a result of the COVID-19 pandemic. In circumstances where a return of premiums is due to policyholders, a provision is established within the LFIC. Movement in the provision is subsequently recognised to reflect the most recent estimate of the costs of deferred claims expected to rebound after the reporting date.

Restatements

The Group's net assets at transition on 1 January 2022 were reduced by £56m. The primary adjustments impacting net assets were:

- the write off of deferred acquisition costs (DAC) assets
- the recognition of the loss component on onerous contracts in excess of the unexpired risk reserve (URR) held under IFRS 4
- in the Group's Australian insurance business, the derecognition of the deferred claims liabilities which cannot be held under IFRS 17 and the change in recognition of premium deferrals.

Other adjustments include changes to the net monetary loss recognised under IAS 29 Financial Reporting in Hyperinflationary Economies as a result of IFRS 17 deeming all components of an insurance contract to be monetary items. Taxation has been restated to reflect the taxation impact of the above adjustments. Any deferred taxation assets recognised on the adoption of IFRS 17 should unwind through the Consolidated Income Statement in future periods, as and when taxation deductions are taken, alongside the associated impact to current taxation.

Restatement of the legacy individual health portfolio in Brazil, adopted using the alternate fair value approach, is not shown separately due to the low value of that portfolio (£47m). This portfolio is included within the restatement of deferred taxation assets, insurance contract liabilities and provisions arising from insurance business.

	Total
1 January 2022	£m
Net assets under IFRS 4	7,061
Derecognition of DAC	(136)
Recognition of loss component for onerous contracts in excess of URR	(76)
Derecognition of deferred claims liabilities and change in recognition of premium deferrals	163
Other adjustments	(15)
Taxation adjustments	8
Net assets under IFRS 17	7,005

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	As published	Reclassification	Measurement	Restated
1 January 2022	£m	£m	£m	£m
Equity-accounted investments	905	–	(20)	885
Assets arising from insurance business	1,380	(1,244)	(136)	–
Deferred taxation assets	89	–	(25)	64
Reinsurance contract assets	–	18	–	18
Trade and other receivables	618	(2)	–	616
Deferred taxation liabilities	(177)	–	33	(144)
Provisions arising from insurance contracts	(3,237)	3,237	–	–
Provisions for liabilities and charges	(270)	5	–	(265)
Insurance contract liabilities	–	(2,283)	92	(2,191)
Other liabilities arising from insurance business	(213)	213	–	–
Trade and other payables	(2,170)	56	–	(2,114)
Total net asset restatement		–	(56)	

The 31 December 2022 comparatives have also been restated for the impact of applying IFRS 17. The impact on profit for the period and net assets are set out in the tables below.

	Total
31 December 2022	£m
Loss after tax under IFRS 4	(418)
Derecognition of DAC	(19)
Recognition of loss component for onerous contracts in excess of URR	(11)
Derecognition of deferred claims liabilities and change in recognition of premium deferrals	81
Other adjustments	(14)
Taxation adjustments	(18)
Loss after tax under IFRS 17	(399)

	As published	Reclassification	Measurement	Restated
31 December 2022	£m	£m	£m	£m
Equity-accounted investments	1,032	–	(35)	997
Assets arising from insurance business	1,626	(1,470)	(156)	–
Deferred taxation assets	146	–	(19)	127
Reinsurance contract assets	–	21	–	21
Trade and other receivables	939	(1)	–	938
Deferred taxation liabilities	(121)	–	9	(112)
Provisions arising from insurance contracts	(3,709)	3,709	–	–
Provisions for liabilities and charges	(290)	3	–	(287)
Insurance contract liabilities	–	(2,528)	150	(2,378)
Other liabilities arising from insurance business	(221)	221	–	–
Trade and other payables	(2,353)	45	–	(2,308)
Total net asset restatement		–	(51)	

(b) IAS 1 amendments

The Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments aim to help improve accounting policy disclosures for the primary users of financial statements. Entities must disclose material accounting policies, rather than the previous requirement to disclose significant accounting policies, and the concept of materiality in the context of accounting policies is further defined. Immaterial accounting policy information must not obscure material accounting policy information. Accounting policy disclosures in these financial statements have been aligned with the new requirements.

(c) IAS 8 amendments

The Group has adopted Definition of Accounting Estimates (Amendments to IAS 8) from 1 January 2023. 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. On adoption there was no impact on the Group. Any future changes in accounting estimate or changes in accounting policy will be assessed under the new requirements.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

(d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments remove a previous 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 Group previously accounted for deferred tax on leases on a net basis in certain jurisdictions. As a result of adopting the amendments, in these jurisdictions the Group recognised separate deferred taxation assets on the lease liabilities and deferred taxation liabilities on the right-of-use assets of £16m each at 31 December 2022 (1 January 2022: £15m). As these balances qualify for offset, there was no impact on the Consolidated Statement of Financial Position.

(e) International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

The Group has adopted International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12) from 1 January 2023. Pillar Two seeks to establish a 15% global minimum tax rate for multinational enterprises. The Finance (No.2) Bill 2023, which implements a domestic top-up tax and a multinational top-up tax in the UK effective for accounting periods starting on or after 31 December 2023, was enacted on 11 July 2023. If the top-up tax had applied in 2023, the impact would not have been material for the Group. The IAS 12 amendments provide a temporary mandatory exception from deferred tax accounting for the Pillar Two top-up tax, which the Group has applied. The amendments also require additional qualitative and quantitative disclosures about the actual and potential impact of Pillar Two taxes. These disclosures are given in Note 2.6(iv).

(f) IFRS Interpretations Committee decision Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)

In October 2023, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9). This agenda decision considered how an entity that issues insurance contracts applies the requirements in IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments to premiums receivable, where a policy holder has paid premiums to an intermediary, but the insurer has not yet received the premiums from the intermediary.

The IFRS IC concluded that IFRS 17 was silent on whether such cash flows are within the bounds of an insurance contract, and that the insurer should develop an appropriate accounting policy. The insurer could determine that the cash flows are removed from the measurement of a group of insurance contracts either when they are settled to the insurer, or when the policyholder has settled their obligations by paying the intermediary. Using the first approach, the premiums receivable would continue to be considered future cash flows under IFRS 17. Using the second approach, the insurer would account for the premiums receivable as a financial asset, applying IFRS 9.

The Group has reviewed its affected business and concluded that the first approach is consistently applied. All affected business is accounted for under the PAA and the LFRC for affected groups of contracts is increased only when premiums are recovered in cash from the intermediary. The Agenda Decision therefore resulted in no impact on recognition, measurement or disclosure for the Group.

(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 2023 and have not been early adopted by the Group. These include:

(a) Non-current Liabilities with Covenants (Amendments to IAS 1)

In October 2022 the International Accounting Standards Board (IASB) issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments clarify that the need to comply with covenants beyond the reporting date does not prevent a liability from being classified as non-current. Entities must disclose any such liability balances along with the presence and nature of relevant covenants and additionally disclose if the covenants are likely to be breached within the following twelve months. The amendments are effective from 1 January 2024. The application of these amendments is currently being evaluated by the Group. The amendments may impact the classification of certain liabilities as current or non-current and require additional disclosure, but are expected to have no other impact on recognition or measurement. The Group currently classifies drawings on its revolving credit facility (as described in Note 17) as current liabilities and expects to classify these as non-current liabilities once the amendments are effective.

(b) Other

A number of other amendments to standards and interpretations have been issued and are not yet effective for the year ended 31 December 2023. None of these are expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

1.7 IAS 29 Financial Reporting in Hyperinflationary Economies

Türkiye is a hyperinflationary economy and IAS 29 Financial Reporting in Hyperinflationary Economies has been applied from June 2022 onwards. As a consequence, the results and balances for the Group's Turkish operations have been adjusted for changes in the general purchasing power of the Turkish lira. In order to make this adjustment the Group refers to the CPI index published by the Turkish Statistical Institute. The value of CPI at 31 December 2023 was 1,859.40 (2022: 1,128.40) and the movement in CPI for the year ended 31 December 2023 was 731.00 (2022: 441.45), an increase of 64.8% (2022: 64.3%). The introduction of IFRS 17 has impacted the application of IAS 29 in prior periods as it deems all components of an insurance contract to be monetary items, whereas under IFRS 4, the unearned premium provision and deferred acquisition costs were deemed to be non-monetary items. This has led to the restatement of the monetary loss and the net impact to profit before taxation for 2022.

A loss of £18m (2022 (restated): £25m) arising from the devaluation of net monetary assets has been recognised within net financial expense in the Consolidated Income Statement. This includes the impact of indexing amounts in the Consolidated Income Statement for the application of IAS 29, with the net impact reducing profit before tax by £10m (2022 (restated): £29m) for the year.

For segmental reporting purposes, the net impact of applying hyperinflationary accounting has been excluded from underlying profit and included within realised and unrealised FX gain/loss as this is how the Group measures performance of the business.

All Turkish lira amounts are translated to the Group's presentation currency of sterling, using the closing exchange rate in effect on 31 December 2023 of 37.66 (2022: 22.58). The impact of this adjustment is recorded within other foreign exchange translation differences in the Consolidated Statement of Comprehensive Income and within the foreign exchange translation reserve in the Consolidated Statement of Financial Position. The Group recognises the remaining exchange difference arising on consolidation within other foreign exchange translation differences through other comprehensive income in the foreign exchange translation reserve.

1.8 Events occurring after the reporting period

On 8 January 2024, the Group acquired an additional 21.57% of shares in Indian health insurer Niva Bupa Health Insurance Company Limited, for £258m in cash, resulting in a controlling shareholding of 62.98%. The transaction strengthens the Group's presence in the growing Indian health insurance sector.

As the Group has not finalised its accounting for the acquisition full details of the financial impact, including the net assets acquired and the performance of the acquired business are not disclosed. The Group expects to recognise significant goodwill and identifiable intangible assets as a result of the transaction.

Immediately prior to the acquisition, on 8 January 2024, the Group's existing stake in Niva Bupa was remeasured to fair value, resulting in the Group recording a £309m gain through other income and charges in the Consolidated Income Statement in 2024.

Notes to the Consolidated Financial Statements (continued)

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2 Operating segments

The organisational structure of the Group is managed through three Market Units based on geographic locations and customers: 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. 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.

Reportable segments	Service and products
Bupa Asia Pacific	Bupa Health Insurance: Health insurance, international health cover in Australia Bupa Health Services: Health provision business, comprising dental, optical, audiology, medical assessment services, and healthcare for the Australian Defence Force 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, rehabilitation centres and health clinics in Spain Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain LUX MED: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland Bupa Acıbadem Sigorta: Domestic health insurance in Türkiye Bupa Chile: Domestic health funding and the management and operation of health clinics and hospitals in Chile Care Plus: Domestic health insurance in Brazil Bupa Mexico: Health insurance and the management and operation of a hospital 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	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Niva Bupa (India): Health insurance

Underlying profit

A key performance measure of operating segments utilised by the Group is underlying profit. Underlying profit is used to distinguish underlying profit from other constituents of the IFRS reported profit before taxation not directly related to the trading performance of the business. This measurement basis has been updated in 2023 to maintain consistency with the metric used internally for managing the business.

The following changes have been made to the metric:

- The allocation of central costs to Market Units has been revised and higher costs have been retained in the Group functions segment.
- Investment property returns have been included within underlying profit.
- Financial investment returns have been included in Market Unit underlying profit to better reflect expected financial asset returns. This includes the actual returns on cash, cash-like instruments and assets where returns do not fluctuate with market movements. Expected returns are used for return-seeking asset portfolios. Short-term fluctuations on investment returns are removed from underlying profit as they are not related to underlying trading performance.

Presentational updates have been made to show revenue before IAS 29 adjustments, which reflects the view that is presented to management. In addition, Group investment funding costs, which principally include investment in ESGC initiatives, have been presented separately.

The segmental tables have been restated to reflect the revised definition of underlying profit. A reconciliation between the old and new definition of underlying profit, including the impacts of IFRS 17, is included under the table below.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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.
- Short-term fluctuations on investment return – underlying profit includes an expected long-term investment return over the period for return-seeking financial assets. Any variance between the total investment return (including realised and unrealised gains) and the expected return over the period is not included in underlying profit. These fluctuations are not related to underlying trading performance.
- Net gains/losses on disposal of businesses and transaction costs on business combinations – gains/losses on disposal of businesses that are material and one-off in nature to the reportable segment are not considered part of the continuing business. Transaction costs that relate to material acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. This includes deficit on the revaluation of freehold properties and property impairment losses.
- Realised and unrealised foreign exchange gains/losses – fluctuations outside of management control, which would distort underlying trading performance. This includes the net impact of applying hyperinflationary accounting.
- Amortisation of bed licences – following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, their amortisation term was reviewed and updated from having an indefinite useful life to amortising over the period to 1 July 2024. The impact of this is not considered reflective of the trading performance of the business.
- 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.

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

(i) Revenues

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Adjustment ²	Total
2023	£m	£m	£m	£m	£m	£m	£m
Insurance revenue	4,412	3,359	2,935	–	–	64	10,770
Inter-Market Unit revenue	(59)	–	59	–	–	–	–
Insurance revenue for reportable segments	4,353	3,359	2,994	–	–	64	10,770
Care, health and other customer contract revenue	1,320	1,710	1,238	–	–	–	4,268
Other revenue	53	14	3	8	–	–	78
Non-insurance revenue for reportable segments	1,373	1,724	1,241	8	–	–	4,346
Total revenue for reportable segments	5,726	5,083	4,235	8	–	64	15,116

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Adjustment ²	Total
2022 restated ¹	£m	£m	£m	£m	£m	£m	£m
Insurance revenue	4,431	2,926	2,647	–	–	29	10,033
Inter-Market Unit revenue	(57)	–	57	–	–	–	–
Insurance revenue for reportable segments	4,374	2,926	2,704	–	–	29	10,033
Care, health and other customer contract revenue	1,282	1,550	1,135	–	–	–	3,967
Other revenue ¹	60	11	3	7	–	–	81
Non-insurance revenue for reportable segments	1,342	1,561	1,138	7	–	–	4,048
Total revenue for reportable segments	5,716	4,487	3,842	7	–	29	14,081

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

2. Adjustment includes impacts of applying IAS 29.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

(ii) Segmental result

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Adjustment ¹	Total
2023	£m	£m	£m	£m	£m	£m	£m
Underlying profit for reportable segments	151	358	263	85	(2)	–	855
Borrowing costs	–	–	–	–	(82)	–	(82)
Group investment funding	–	–	–	–	(26)	–	(26)
Consolidated underlying profit before taxation expense	151	358	263	85	(110)	–	747
Non-underlying items:							
Impairments of intangible assets and goodwill arising on business combinations	–	(1)	–	–	–	–	(1)
Short-term fluctuation on investment returns	12	–	16	–	3	–	31
Net (loss)/gain on disposal of businesses and transaction costs on business combinations	(2)	(9)	10	–	–	–	(1)
Net property revaluation loss	(3)	–	(18)	–	–	–	(21)
Realised and unrealised FX (loss)/gain	–	(7)	12	2	5	(10)	2
Amortisation of bed licenses	(32)	–	–	–	–	–	(32)
Other non-underlying items ²	–	(17)	(18)	27	–	–	(8)
Total non-underlying items							(30)
Consolidated profit before taxation expense							717

1. Adjustment includes impacts of applying IAS 29.

2. Other non-underlying items includes £17m and £18m relating to restructuring costs in Europe and Latin America and Bupa Global and UK. Other businesses includes a £27m dilution gain on the issue of share capital in Niva Bupa to external investors (see Note 2.4).

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Adjustment ²	Total
2022 restated ¹	£m	£m	£m	£m	£m	£m	£m
Underlying profit for reportable segments ¹	424	300	47	49	(6)	–	814
Borrowing costs	–	–	–	–	(66)	–	(66)
Consolidated underlying profit before taxation expense	424	300	47	49	(72)	–	748
Non-underlying items:							
Impairments of intangible assets and goodwill arising on business combinations ³	(108)	(161)	(619)	–	–	–	(888)
Short-term fluctuation on investment returns	6	–	(34)	–	6	–	(22)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations	4	(3)	(1)	(4)	–	–	(4)
Net property revaluation (loss)/gain	(6)	5	(32)	–	–	–	(33)
Realised and unrealised FX gain/(loss)	–	5	8	–	1	(29)	(15)
Amortisation of bed licenses	(34)	–	–	–	–	–	(34)
Other non-underlying items ⁴	(4)	(16)	(1)	–	–	–	(21)
Total non-underlying items							(1,017)
Consolidated loss before taxation expense							(269)

1. Amounts have been restated for the adoption of IFRS 17 (see Note 1.5) and to reflect the revised definition of underlying profit.

2. Adjustment includes impacts of applying IAS 29.

3. Includes impairments recognised within Bupa Asia Pacific (Bupa Villages and Aged Care Australia), Europe and Latin America (Bupa Chile) and Bupa Global and UK (Bupa Dental Care UK and Bupa Care Services).

4. Europe and Latin America segment includes £16m restructuring costs.

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Adjustment	Total
2022	£m	£m	£m	£m	£m	£m	£m
Consolidated underlying profit before taxation expense	424	300	47	49	(72)	–	748
Impact of applying IFRS 17	(59)	11	6	9	(13)	–	(46)
Net gains on investment property	(28)	–	–	–	–	–	(28)
Investment returns	(6)	(52)	(14)	–	91	–	19
Underlying profit by reportable segments as previously reported	331	259	39	58	6	–	693

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

(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	Group Functions	Total
2023	£m	£m	£m	£m	£m	£m
Amortisation and depreciation costs for reportable segments	(179)	(194)	(93)	–	–	(466)
Unrealised gain on investment property	29	–	2	–	–	31
Deficit on revaluation of property	(3)	–	(18)	–	–	(21)
Share of profits from associates	–	–	3	80	–	83

	Bupa Asia Pacific	Europe and Latin America	Bupa Global and UK	Other businesses	Group Functions	Total
2022 restated ¹	£m	£m	£m	£m	£m	£m
Amortisation and depreciation costs for reportable segments ¹	(193)	(182)	(129)	–	–	(504)
Unrealised gain on investment property	28	–	–	–	–	28
Deficit on revaluation of property	(6)	5	(32)	–	–	(33)
Share of profits from associates ¹	–	–	3	41	–	44

1. Amounts have been restated for the adoption of IFRS 17 (see Note 1.5) and to reflect the revised definition of underlying profit.

(iv) Geographical information

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

Geographical	Insurance revenue		Total non-insurance revenue		Consolidated non-current assets ¹	
	2023	2022	2023	2022	2023	2022 restated ²
	£m	£m	£m	£m	£m	£m
Australia	3,999	4,029	981	977	2,152	2,337
Brazil	339	270	6	4	66	52
Chile	722	712	402	389	415	485
Hong Kong	421	410	216	197	265	290
New Zealand	–	–	176	167	916	930
Poland	–	–	749	569	686	625
Spain	1,595	1,395	532	571	724	708
United Kingdom	2,773	2,489	1,241	1,138	2,670	2,588
Rest of the World	921	728	43	36	243	190
Total	10,770	10,033	4,346	4,048	8,137	8,205

1. Consolidated non-current assets exclude financial investments, restricted assets, deferred taxation assets and post-employment benefit net assets

2. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

(v) Risk concentration

The following table sets out the carrying amount of the Group's insurance and reinsurance contracts by country:

Geographical	Insurance issued		Reinsurance held	
	2023	2022	2023	2022
	£m	£m	£m	£m
Australia	(748)	(660)	–	–
Brazil	(95)	(80)	–	–
Chile	(141)	(164)	–	–
Hong Kong	(189)	(176)	2	2
Spain	(290)	(248)	1	1
United Kingdom	(723)	(709)	25	13
Rest of the World	(422)	(341)	10	5
Total	(2,608)	(2,378)	38	21

Notes to the Consolidated Financial Statements (continued)

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2.1 Insurance service result

The Group generates the insurance service result from its health insurance business. This includes insurance revenues, offset by directly attributable insurance service expenses.

Insurance revenue

The Group recognises insurance revenue based on the passage of time over the coverage period of the group of contracts.

Insurance service expenses

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts. Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore included within insurance service expenses. The Group classifies the majority of expenses incurred by insurance entities within insurance service expenses, except for those not directly attributable to insurance contracts.

Insurance claims 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.

Incurred claims comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period and the Risk Equalisation Special Account levy for the Australia Health Insurance business. 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. See Note 12 for details of the LFIC.

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group's policy is to expense acquisition costs as they are incurred where the coverage period of each contract in the group is no more than one year. For the remaining contracts with a longer coverage period, insurance acquisition costs are allocated to the relevant group of insurance contracts and are amortised consistently with the pattern of insurance revenue recognition.

Changes in the risk adjustment for non-financial risk are presented in the insurance service result and not disaggregated into an insurance service component and an insurance finance component.

		2023	2022
	Note	£m	£m
Incurred claims and other expenses	12.1	10,385	9,302
Amortisation of insurance acquisition cash flows	12.1	(6)	–
Losses on onerous contracts and (reversal) of those losses	12.1	(27)	8
Changes to liabilities for incurred claims relating to past service	12.1	(34)	29
Insurance service expenses		10,318	9,339

Reinsurance contracts held

The Group releases ceded insurance premiums on the passage of time basis over the coverage period. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceded premiums.

All directly attributable reinsurance expenses, including claims handling costs, are expensed as incurred.

		2023	2022
	Note	£m	£m
Premiums ceded to reinsurers		(166)	(131)
Reinsurance commission income		18	15
Total allocation of reinsurance premiums	12.2	(148)	(116)
Amounts recoverable for incurred claims and other expenses	12.2	140	94
Changes to amounts recoverable for incurred claims relating to past service	12.2	1	–
Total amount recoverable from reinsurers for incurred claims		141	94
Net expense from reinsurance contracts held		(7)	(22)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

2.2 Non-insurance revenue

The Group generates revenues from its 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).

Revenue stream	Recognition policy
Care, health and other customer contract revenue	The Group generates income 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. Contracts for these revenue streams do not transfer significant insurance risk. 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. Significant changes in margin result in a retrospective margin recalculation. The impact of this on prior years is recognised as a margin catch up in the year the recalculation is performed. 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 revenue	Other revenue comprises: - Rental income and amenities fees from occupational right agreements, which are 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 Villages and Aged Care Australia. Such funding is recognised when it is considered reasonably certain that the funding will be received and all necessary conditions have been complied with.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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.

	Care, health and other customer contract revenue	Other revenue	Total non-insurance revenues
	2023	2023	2023
	£m	£m	£m
Bupa Health Insurance	9	3	12
Bupa Health Services	580	–	580
Bupa Villages and Aged Care Australia	357	32	389
Bupa Villages and Aged Care New Zealand	158	18	176
Bupa Hong Kong	216	–	216
Bupa Asia Pacific	1,320	53	1,373
Sanitas Seguros	13	3	16
Sanitas Dental	134	4	138
Sanitas Hospitales and New Services	229	1	230
Sanitas Mayores	162	–	162
LUX MED	748	1	749
Bupa Acibadem Sigorta	–	2	2
Bupa Chile	402	1	403
Care Plus	6	–	6
Bupa Mexico	16	1	17
Bupa Global Latin America	–	1	1
Europe and Latin America	1,710	14	1,724
Bupa UK Insurance	25	1	26
Bupa Dental Care UK	518	1	519
Bupa Care Services	474	–	474
Bupa Health Services	221	1	222
Bupa Global	–	–	–
Bupa Global and UK	1,238	3	1,241
Other	–	8	8
Other businesses	–	8	8
Consolidated non-insurance revenues	4,268	78	4,346

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	Care, health and other customer contract revenue	Other revenue	Total non-insurance revenues
	2022	2022 restated ¹	2022 restated ¹
	£m	£m	£m
Bupa Health Insurance	7	2	9
Bupa Health Services	614	1	615
Bupa Villages and Aged Care Australia	318	37	355
Bupa Villages and Aged Care New Zealand	148	17	165
Bupa Hong Kong	195	3	198
Bupa Asia Pacific	1,282	60	1,342
Sanitas Seguros ¹	10	2	12
Sanitas Dental	119	4	123
Sanitas Hospitales and New Services	305	1	306
Sanitas Mayores	145	—	145
LUX MED	568	—	568
Bupa Acibadem Sigorta ¹	—	2	2
Bupa Chile	388	1	389
Care Plus	4	—	4
Bupa Mexico	11	—	11
Bupa Global Latin America	—	1	1
Europe and Latin America	1,550	11	1,561
Bupa UK Insurance ¹	21	2	23
Bupa Dental Care UK	487	—	487
Bupa Care Services	431	—	431
Bupa Health Services	196	1	197
Bupa Global and UK	1,135	3	1,138
Other	—	7	7
Other businesses	—	7	7
Consolidated non-insurance revenues	3,967	81	4,048

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

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. Expenses attributed to insurance acquisition cash flows and Other directly attributable insurance expenses are included within insurance service expenses.

Operating expenses exclude insurance claims, finance costs and taxation.

Notes to the Consolidated Financial Statements (continued)

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Other operating expenses

		Expenses attributed to insurance acquisition cash flows ¹		Other directly attributable insurance expenses ¹		Other operating expenses		Total	
	Note	2023	2022	2023	2022	2023	2022	2023	2022
		£m	£m	£m	£m	restated ²	restated ²	£m	£m
Staff costs	2.3.1	108	109	834	692	1,927	1,699	2,869	2,500
Commissions ³		485	416	–	–	–	–	485	416
Medical supplies and fees		–	–	218	185	1,121	1,067	1,339	1,252
Property costs ³		2	3	59	55	255	356	316	414
Lease rentals and other expenses ^{2, 3}		3	5	5	4	21	21	29	30
Marketing costs ³		55	50	69	60	27	13	151	123
Catering and housekeeping costs		–	–	6	6	62	55	68	61
Consultancy fees ³		11	2	129	103	15	37	155	142
Net loss/(gain) on foreign exchange transactions ³		–	–	4	31	–	(2)	4	29
Amortisation of intangible assets	3	–	–	65	72	94	103	159	175
Depreciation expense	4	–	–	82	77	230	252	312	329
Other operating expenses (including auditors' remuneration) ³	2.3.2	23	39	397	342	540	492	960	873
Total other operating expenses		687	624	1,868	1,627	4,292	4,093	6,847	6,344

1. Expenses attributed to insurance acquisition cash flows and other directly attributable insurance expenses incurred by the Group relate directly to the fulfilment of contracts issued within the scope of IFRS 17 and reinsurance contracts held. See Note 2.1.
2. Includes short-term and low-value lease rentals, and other lease expenses.
3. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

2.3.1 Staff costs

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

	2023	2022
	£m	£m
Wages and salaries	2,679	2,323
Social security costs	138	126
Contributions to defined contribution schemes	50	47
Other pension costs	2	4
Total staff costs	2,869	2,500

Employee numbers

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

	2023	2022
Bupa Asia Pacific	17,780	15,811
Europe and Latin America	44,540	42,541
Bupa Global and UK	22,362	20,949
Total average employee numbers	84,682	79,301

The figure disclosed for Europe and Latin America includes 15,759 colleagues (2022: 14,732) in Poland who are engaged under contract for service arrangements and are fundamental to the operations of the LUX MED business. Related costs of £296m (2022: £222m) are also included in the above wages and salaries cost.

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Directors' remuneration

	2023 £000s	2022 £000s
Emoluments	3,246	2,582
Company contributions to defined contribution pension schemes	28	28
Compensation for loss of office	–	104
Total	3,274	2,714
The remuneration of the highest paid director was		
Emoluments	1,560	1,407
Company contributions to defined contribution pension schemes	7	–
Total	1,567	1,407

There are no Directors who are members of a Bupa defined benefit pension scheme (2022: nil).

2.3.2 Auditors' remuneration

	2023 £m	2022 £m
Audit fees for the audit of the Company's annual accounts	0.7	0.6
<i>Fees payable to the Company's auditor and its associates for:</i>		
Audit fees for audit of Company's subsidiaries required by legislation	8.8	9.2
Audit fees for audit-related assurance services	1.0	1.1
Audit fees to the Company's auditors	10.5	10.9
<i>Fees payable to the Company's auditor and its associates for other services:</i>		
All other non-audit services	0.4	0.2
Total non-audit fees	0.4	0.2
Total auditors' remuneration	10.9	11.1

2022 audit fees included £1.1m in respect of the transition to IFRS 17. All non-audit services provided during the year were in compliance with the Group's non-audit services policy and the FRC Ethical Standard.

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	2023 £m	2022 restated ¹ £m
Gain on on dilution of ownership in Niva Bupa	6	27	–
Net loss on disposal and restructuring of businesses		(1)	(4)
Loss on revaluation of property	4	(21)	(33)
Net gain/(loss) on disposal of property, plant and equipment		6	(2)
Surplus on fair value of investment property ¹		31	28
Total other income and charges		42	(11)

1. Surplus on fair value of investment property has been reclassified to other income and charges (see Note 2.5).

2.5 Financial income and expense

Financial income and expense are earned and incurred from the Group's financial assets and liabilities.

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 unrealised gains or losses while the assets are held. Upon derecognition of an asset, the cumulative unrealised gain or loss is 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 gain or loss in the Consolidated Income Statement when the financial asset is derecognised.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	2023	2022 restated ¹
	£m	£m
Interest income:		
Investments at fair value through profit or loss	48	61
Investments at fair value through other comprehensive income	20	1
Investments at amortised cost	225	72
Net realised gain/(loss):		
Net realised gain/(loss) on investments at fair value through profit or loss	16	(13)
Net realised loss on financial investments at fair value through other comprehensive income	(4)	–
Net movement in fair value:		
Investments at fair value through profit or loss	44	(5)
Net foreign exchange translation gain	14	42
Total financial income	363	158

1. Surplus on fair value of investment property has been reclassified and is now presented within other income and charges (see Note 2.4).

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 year.

	2023	2022
	£m	£m
Interest expense on financial liabilities at amortised cost	116	99
Finance charges in respect of leases and restoration provisions	50	46
Other financial expense	24	29
Total financial expense	190	174

Other financial expense includes £20m (2022: £20m) 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. For year ended 31 December 2022, other financial expense includes £6m loss recognised following the early redemption of £47m of inflation-linked senior unsecured bonds, originally due to mature on 30 June 2033.

2.5.1 Insurance financial income and expense

The Group's insurance financial expense of £25m (2022: £16m income) arises from the impact of unwinding the discount rate and any change in the discount rate from the beginning of the year, which causes movement in the overall insurance contract liability. Discounting of insurance contracts is only applied by exception.

There is an option to disaggregate any insurance financial income or expense between other comprehensive income and the income statement. Bupa has elected to recognise all insurance financial expense (2022: income) within the Consolidated Income Statement.

2.6 Taxation expense

Taxation expense comprises current and deferred taxation. It considers foreign taxation and double taxation relief and includes 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. The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax within the scope of IAS 12.

(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 reporting 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	2023 £m	2022 restated ¹ £m
Current taxation expense		
UK taxation on income for the year	15	25
UK taxation adjustments in respect of prior periods	(5)	(5)
Total UK current taxation expense	10	20
Double taxation relief	(10)	(8)
Foreign taxation on income for the year	153	190
Foreign taxation adjustments in respect of prior years	(6)	–
Total foreign current taxation expense	147	190
Total current taxation expense	147	202
Deferred taxation expense/(income)		
Origination and reversal of temporary differences ¹	26	(57)
Adjustments in respect of prior periods	4	4
Changes in taxation rates	–	(19)
Total deferred taxation expense/(income)	30	(72)
Taxation expense	177	130

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

(ii) Reconciliation of effective taxation rate

	2023 £m	2022 restated ¹ £m
Profit/(loss) before taxation expense ¹	717	(269)
UK corporation taxation rate	23.5%	19%
Tax at the UK corporation taxation rate ¹	168	(51)
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions ¹	5	29
Deductions not allowable for taxation purposes ¹	24	25
Income not taxable or taxable at concessionary rates	(25)	(18)
Property revaluation not included as a temporary difference	(8)	(6)
Results of associates ¹	(20)	(9)
Changes in taxation rates	–	(19)
Movement in deferred taxation asset not recognised	31	29
	7	31
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods	(7)	(1)
Loss on disposal of business	2	–
Impairment of goodwill and other assets not allowable for taxation purposes	–	142
Non-deductible IAS 29 adjustments ²	7	9
	2	150
Taxation expense at the effective rate of 25% (2022 (restated): (48)%)	177	130

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

2. See Note 1.7 for details of the impacts of IAS 29.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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

	2023 £m	2022 £m
Deferred taxation credit in respect of:		
Unrealised loss on revaluation of property	–	11
Other items including foreign exchange translation differences	–	1
Taxation credit on income and expenses recognised directly in other comprehensive income	–	12
Current taxation credit in respect of:		
Restricted Tier 1 coupon payment ¹	2	2
Taxation credit on income and expenses recognised directly in equity	2	2

1. Included within payment of Restricted Tier 1 coupon of £10m (2022: £10m) in the Consolidated Statement of Changes in Equity.

(iv) Global minimum top-up tax

The Group operates in the UK where new tax legislation to implement a global minimum top-up tax has been enacted. Since this newly enacted tax legislation is only effective from 1 January 2024, there is no current tax impact in the period (2022: £nil).

The Group has applied a temporary mandatory relief from deferred tax accounting in 2023 for the impacts of the top-up tax, and instead accounts for it as a current tax when it is incurred.

If the top-up tax had applied in 2023, the impact would not have been material for the Group.

3 Goodwill and intangible assets

Goodwill and intangible assets 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 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 within goodwill and 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 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 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 to which an indefinite useful life has been attributed:

• Computer software	2-10 years
• Brands/trademarks	3 years-indefinite
• Customer relationships	3-20 years
• Distribution networks	10-14 years
• Licences to operate care homes	Term of licence
• Bed licences in Australia	From 1 October 2021 to 1 July 2024

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. This impairment may be reversed in future periods if there is indication that there will be a significant long-term improvement in the value of the CGU.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Intangible assets with an indefinite useful life, or not yet available for use, are subject to annual impairment reviews or more frequently if there is an indication that the carrying value may be impaired.

In other intangibles, the Group holds bed licences, with a carrying value of £16m (2022: £50m), with respect to Bupa Villages and Aged Care Australia CGU. In September 2021, following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, the Group 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. During 2023, the Group recognised £32m (2022: £34m) of amortisation in respect of Australian bed licences. In addition, an impairment loss of £nil (2022: £2m) was recognised in respect of bed licences no longer in use.

	Goodwill £m	Computer software £m	Brands/ trademarks £m	Customer relationships £m	Other ¹ £m	Total £m
2023						
Cost						
At beginning of year	3,349	1,032	322	956	326	5,985
Assets arising on business combinations	37	1	1	20	–	59
Additions	–	117	–	–	–	117
Disposals	(2)	(73)	–	–	(4)	(79)
Transfer to assets held for sale	–	(1)	–	–	–	(1)
Other	–	(8)	–	–	–	(8)
Foreign exchange	(89)	(18)	(15)	(15)	(10)	(147)
At end of year	3,295	1,050	308	961	312	5,926
Amortisation and impairment loss						
At beginning of year	1,368	693	202	769	213	3,245
Amortisation for year	–	82	8	29	40	159
Impairment loss	–	16	1	–	–	17
Disposals	–	(73)	–	–	(4)	(77)
Transfer to assets held for sale	–	(1)	–	–	–	(1)
Other	–	(2)	–	–	–	(2)
Foreign exchange	(34)	(11)	(8)	(15)	(7)	(75)
At end of year	1,334	704	203	783	242	3,266
Net book value at end of year	1,961	346	105	178	70	2,660
Net book value at beginning of year	1,981	339	120	187	113	2,740
2022						
Cost						
At beginning of year	3,249	914	294	924	315	5,696
Assets arising on business combinations	14	2	3	2	–	21
Additions	–	111	–	–	–	111
Disposals	(53)	(28)	(4)	(6)	(12)	(103)
Other	–	(2)	–	–	–	(2)
Foreign exchange	139	35	29	36	23	262
At end of year	3,349	1,032	322	956	326	5,985
Amortisation and impairment loss						
At beginning of year	784	622	160	442	170	2,178
Amortisation for year	–	72	8	53	42	175
Impairment loss	609	6	22	255	2	894
Disposals	(52)	(27)	(4)	(6)	(12)	(101)
Other	–	(1)	–	–	–	(1)
Foreign exchange	27	21	16	25	11	100
At end of year	1,368	693	202	769	213	3,245
Net book value at end of year	1,981	339	120	187	113	2,740
Net book value at beginning of year	2,465	292	134	482	145	3,518

1. Predominantly comprises bed licences, distribution networks and licences to operate care homes.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Goodwill and intangible assets of £2,660m (2022: £2,740m) include £353m (2022: £420m) attributable to other intangible assets arising on business combinations included within brands/trademarks, customer relationships and other in the above table.

Computer software assets with a net book value of £346m (2022: £339m) include £240m (2022: £245m) attributable to capitalised internal development costs. The cost attributable to these assets is £526m (2022: £526m). £101m of costs (2022: £93m) were capitalised in the year.

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 and agency costs and operating expenses. For provision business, the cash flows are driven by number of customers, available clinician hours, fee rates and operating expenses. For insurance business, key drivers are assumed business volumes, 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. Cash inflows or outflows relating to financing activities have been excluded from the estimated future cash flows.

Taxation has been applied to the pre-taxation underlying profit 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 such as inflation and local market leverage. These include a market assessment of the time value of money and the risks inherent in the relevant country where the cash flows are generated.

The following table summarises the pre-taxation discount rates used for impairment testing for the main CGUs, which were determined through grossing up the post-tax discount rates by the applicable corporate taxation rates:

	2023	2022
	%	%
Bupa Australia Health Insurance	10.0	10.0
Bupa Health Services Australia	12.4	13.1
Hong Kong	11.5	11.4
LUX MED	10.4	11.1
Sanitas Seguros	9.6	10.6
Sanitas Mayores	9.2	10.1
Bupa Acibadem Sigorta	26.1	27.7
Care Plus	16.2	15.8
Bupa Dental Care UK	11.5	10.5
Bupa Global	12.7	12.3

Cash flow projections beyond the forecast periods have been extrapolated by applying a terminal growth rate between 2.0% and 6.7% (2022: 2.0% and 8.5%) for all CGUs. The terminal growth rates represent an estimate of the long-term growth rate for each CGU, 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.

During the year, no impairment losses were recognised in relation to goodwill (2022: £609m). In 2022, the impairments were primarily in respect of Bupa Dental Care UK (£274m), Bupa Chile (£139m), Bupa Villages and Aged Care Australia (£103m) and Bupa Care Services (£90m). In addition to recognising a goodwill impairment, Bupa Dental Care UK also recognised a £255m write down of its customer relationship intangible and a £117m write down of right-of-use assets and property, plant and equipment.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

The following table summarises goodwill by CGU as at 31 December 2023:

	2023 £m	2022 £m
Bupa Asia Pacific		
Bupa Australia Health Insurance	817	863
Bupa Health Services Australia	282	299
Hong Kong	122	129
Europe and Latin America		
LUX MED	287	265
Sanitas Seguros	62	49
Sanitas Mayores	21	22
Bupa Acibadem Sigorta	52	53
Care Plus	41	29
Other	11	10
Bupa Global and UK		
Bupa Dental Care UK	191	191
Bupa Global	68	68
Other	7	3
Total	1,961	1,981

Sensitivity to changes in key assumptions

As part of the annual impairment test, management considers the sensitivity of the tests to changes in key assumptions including changes in the discount rate, terminal growth rate and cash flows. Management believes that there are no reasonably possible changes to key assumptions that would cause the carrying value of any goodwill or intangible asset with an indefinite useful life to exceed its recoverable amount.

Management continues to closely monitor the headroom on Bupa Dental Care UK, following the impairments recognised in 2022, to ascertain whether any reversals to impairment of intangible assets or property, plant and equipment should be recognised. Headroom at 31 December 2023 is £72m (2022: £nil) with the increase in the year driven by a reduction in estimated replacement property costs and the annual unwind of discounting. As these are not attributable to a notable improvement in the underlying forecast cash flows of the business, which are most sensitive to available clinician hours and operating expenses, no impairment reversal has been recognised. The sensitivity of the headroom to changes in key assumptions are included in the table below.

	Headroom	Discount rate	Terminal growth rate	Reduction in headroom from 1% increase in discount rate	Reduction in headroom from 0.5% reduction in terminal growth rate	Reduction in headroom from 10% reduction in cash flows
	£m	%	%	£m	£m	£m
Bupa Dental Care UK	72	11.5	2.1	(36)	(14)	(27)

Impairment of other intangible assets

As at 31 December 2023, other intangible assets with indefinite useful lives were tested for impairment with a £1m impairment of brand intangibles being recognised (2022: £22m impairment relating to the write off of the Bupa Chile Isapre brand due to the local legal and regulatory pressures on the Isapre industry).

A review of intangible assets that are subject to amortisation resulted in impairments of £16m (2022: £263m), of which £10m relates to Bupa Australia Health Insurance computer software and £4m relates to the Bupa Health Funding computer software (2022: £255m relating to Bupa Dental Care UK customer relationship intangible).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

4 Property, plant and equipment

Property, plant and equipment are the physical assets or rights to use 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, 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 an asset carried at amortised cost is recognised in the Consolidated Income Statement within other operating expenses to reduce the carrying value to the recoverable amount. An impairment loss on an asset carried at revalued amount is recognised in the property revaluation reserve, except where an asset is revalued below historical cost, in which case the loss below the historical cost is recognised within other income and charges in the Consolidated Income Statement (see Note 2.4).

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

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2023

	Freehold property £m	Right-of-use asset property £m	Leasehold improvements £m	Owned equipment £m	Right-of-use asset equipment £m	Total £m
2023						
Cost or valuation						
At beginning of year	2,247	1,288	331	1,537	19	5,422
Assets arising on business combinations	3	–	–	2	–	5
Additions	37	74	37	186	3	337
Transfer to assets held for sale	(31)	–	(6)	(20)	–	(57)
Disposals	(6)	(84)	(34)	(76)	(2)	(202)
Revaluations	(45)	–	–	–	–	(45)
Remeasurements	–	63	–	–	–	63
Other	(4)	1	1	5	–	3
Foreign exchange	(70)	(28)	(9)	(28)	(1)	(136)
At end of year	2,131	1,314	320	1,606	19	5,390
Depreciation and impairment loss						
At beginning of year	37	540	182	962	10	1,731
Depreciation charge for year	36	133	22	117	4	312
Transfer to assets held for sale	(4)	–	(6)	(15)	–	(25)
Disposals	–	(84)	(28)	(72)	(3)	(187)
Revaluations	(9)	–	–	–	–	(9)
Other	–	1	–	2	–	3
Foreign exchange	(2)	(13)	(5)	(20)	–	(40)
At end of year	58	577	165	974	11	1,785
Net book value at end of year	2,073	737	155	632	8	3,605
Net book value at beginning of year	2,210	748	149	575	9	3,691
2022						
Cost or valuation						
At beginning of year	2,296	1,165	297	1,390	15	5,163
Assets arising on business combinations	4	4	–	1	–	9
Additions	25	51	38	145	3	262
Transfer to assets held for sale	(27)	–	–	(16)	–	(43)
Disposals	(2)	(44)	(19)	(44)	(1)	(110)
Revaluations	(130)	–	–	–	–	(130)
Remeasurements	–	57	–	–	1	58
Other	(2)	1	2	1	–	2
Foreign exchange	83	54	13	60	1	211
At end of year	2,247	1,288	331	1,537	19	5,422
Depreciation and impairment loss						
At beginning of year	48	364	137	815	6	1,370
Depreciation charge for year	39	140	25	121	4	329
Transfer to assets held for sale	–	–	–	(8)	–	(8)
Disposals	–	(42)	(17)	(38)	(1)	(98)
Revaluations	(53)	–	–	–	–	(53)
Impairment loss	–	56	31	37	–	124
Other	–	1	–	–	–	1
Foreign exchange	3	21	6	35	1	66
At end of year	37	540	182	962	10	1,731
Net book value at end of year	2,210	748	149	575	9	3,691
Net book value at beginning of year	2,248	801	160	575	9	3,793

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Revaluation of properties

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

Following the external triennial revaluations of properties in the UK, Chile, Poland and Türkiye, and full out-of-cycle revaluations of properties in Australia and New Zealand in 2022, there were no scheduled external triennial revaluations of properties in 2023. However, external valuations were performed on a small number of individual properties in the UK and New Zealand; in the UK due to significant movements in the commercial property markets, and in New Zealand for newly developed property assets. These have been independently performed by Colliers in UK, and Jones Lang LaSalle (JLL) in New Zealand.

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. This approach is in line with market practice. 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 calculated based on what a reasonably efficient operator could be expected to achieve. This is 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.

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 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, under the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement, 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 shown in the table below. Average occupancy rate and average capitalisation rates or discount rates are inputs to the valuation of care home property, hospitals and clinics. Average price per square metre and average yield are primarily assumptions used in valuing offices or other commercial property.

Freehold properties	Australia	New Zealand	UK	Spain	Chile	Poland
2023						
Valuation assumptions: average occupancy rate	93.1%	90.3%	90.3%	89.6%	N/A	N/A
Valuation assumptions: average capitalisation/ discount rate	15.1%	12.5%	10.4%	19.8%	9.0%	18.9%
Valuation assumptions: average price per square metre	N/A	N/A	£2,732	£2,377	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	7.7%	5.5%	N/A	N/A
2022						
Valuation assumptions: average occupancy rate	93.1%	91.4%	86.6%	88.4%	N/A	N/A
Valuation assumptions: average capitalisation/ discount rate	15.1%	12.9%	8.9%	19.0%	9.0%	11.6%
Valuation assumptions: average price per square metre	N/A	N/A	£3,389	£2,391	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	6.3%	5.2%	N/A	N/A

The valuations are most sensitive to changes in capitalisation rate assumptions, and an increase/decrease of 0.5% in capitalisation rates would decrease/increase the total carrying value of freehold properties by £(76)m/£73m (2022: £(97)m/£89m). An increase/decrease of 0.5% in occupancy rates would increase/decrease the total carrying value of freehold properties by £7m/£(8)m (2022: £8m/£(8)m).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

The table below shows the date at which freehold properties held as at 31 December 2023 were last subject to external valuation.

	2023 £m
Valuation - 31 December 2023	55
Valuation - 31 December 2022	1,755
Valuation - 31 December 2021	243
Assets held at cost ¹	78
Cost or valuation	2,131

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 recognised in the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £15m net revaluation deficit (2022: £44m) has been recognised in the property revaluation reserve, with a revaluation loss of £21m (2022: £33m) charged to the Consolidated Income Statement within other income and charges (see Note 2.4).

Recognised in the carrying amount of freehold property is £52m (2022: £63m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2023 £m	2022 £m
Historical cost of revalued assets	2,062	2,088
Accumulated depreciation based on historical cost	(506)	(465)
Historical cost net book value	1,556	1,623
Depreciation charge for the year on historical cost	41	42

Impairment of tangible assets

A review of tangible assets has resulted in impairments of £nil (2022: £124m).

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. Investment properties are revalued at least 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 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 unobservable inputs. Therefore, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with the IFRS 13 Fair Value Measurement. These properties are valued using discounted cash flow projections.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	2023	2022
	£m	£m
At beginning of year	750	666
Additions	38	29
Transfer to assets held for sale	(2)	–
Disposals	–	(1)
Increase in fair value	32	29
Foreign exchange	(42)	27
At end of year	776	750

In the current year, a revaluation surplus of £31m (2022: £28m) was credited to the Consolidated Income Statement. This is net of £1m (2022: £1m) attributable to occupational right agreement liability holders which is paid upon their exit of the retirement village.

The carrying value of investment properties primarily consists of the Group's portfolio of retirement villages in New Zealand of £703m (2022: £681m) and Australia of £53m (2022: £55m). 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 (JLL), 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 £495m (2022: £482m).

Significant assumptions used in the valuation include:

Australia and New Zealand	2023	2022
Discount rate	14.0%	14.0%
Capital growth rate	3.3% - 3.5%	3.2% - 3.5%

The sensitivity analysis below considers the impact on the year-end valuation of Level 3 investment properties and is based on a change in one 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
2023		
Discount rate	£13m decrease	£14m increase
Capital growth rate	£20m increase	£18m decrease
2022		
Discount rate	£12m decrease	£13m increase
Capital growth rate	£18m increase	£16m decrease

During the year ended 31 December 2023, the Group's retirement village portfolio in Australia and New Zealand generated £28m (2022: £25m) of income which was recognised as care, health and other customer contract revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £21m (2022: £19m).

6 Equity-accounted investments

Equity-accounted investments comprise associates and joint ventures in which the Group has significant influence, but not control.

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

Associates 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 debt 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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

The carrying amount of equity-accounted investments is £1,056m (2022 (restated): £997m). 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 (Bupa Arabia)	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc. (Highway to Health)	Insurance	49.00%	USA	USA
Niva Bupa Health Insurance Company Limited (Niva Bupa)	Insurance	41.41%	India	India

During the year, the Group received dividends of £49m (2022: £52m) from Bupa Arabia.

During the year, the Group's shareholding in Niva Bupa was diluted from 44.39% to 41.41% due to Niva Bupa issuing shares to external investors. This led to a gain on dilution of shares of £27m. The Group made further capital injections in Niva Bupa of £20m (2022: £14m). Distributions to shareholders are currently restricted by local regulatory requirements which are reassessed on a regular basis. Subsequent to the year-end, the Group increased its shareholding in Niva Bupa resulting in a controlling interest of 62.98%. This is disclosed further in Note 1.8.

(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 full balances for 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	
	2023	2022 restated ¹	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
Revenue	3,362	2,782	239	201	362	245
Cash and cash equivalents	263	283	112	94	7	9
Other current assets	1,050	974	130	122	33	27
Current assets	1,313	1,257	242	216	40	36
Non-current assets	1,707	1,413	20	10	497	319
Current liabilities	(1,965)	(1,665)	(144)	(123)	(142)	(110)
Non-current liabilities	(74)	(74)	(13)	(3)	(193)	(141)
Net assets	981	931	105	100	202	104

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Niva Bupa	
	2023	2022 restated ¹	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
Opening net assets	931	817	100	86	104	70
Profit/(loss) for the year	201	116	8	8	(3)	(8)
Other comprehensive income	6	(54)	—	—	—	—
Dividends paid	(116)	(116)	—	—	—	—
Other reserve movements	(41)	168	(3)	6	101	42
Closing net assets	981	931	105	100	202	104
% Ownership	43.25 %	43.25%	49.00 %	49.00%	41.41 %	44.39%
Reporting entity's share ²	424	403	51	49	75	35
Goodwill and local accounting differences	264	281	186	196	22	20
Carrying amount	688	684	237	245	97	55
Reporting entity's share of profit/(loss)	80	48	3	2	(1)	(3)

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

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

Notes to the Consolidated Financial Statements (continued)

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(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 a joint venture that are accounted for using the equity method. The aggregate carrying amount of the associates is £6m (2022: £6m). The carrying amount of the joint venture is £28m (2022: £7m). The Group's share of results recognised during the year for these is a profit of £1m (2022: loss of £3m), which is entirely attributable to the investment in the joint venture.

7 Post-employment benefits

The Group operates several funded and an unfunded defined benefit and defined contribution pension schemes for the benefit of 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 any scheme assets. The discount rate used is the yield at the reporting date on high-quality corporate bonds denominated in the currency in which the benefit will be paid and taking account of the maturities of the defined benefit obligations. 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 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 charge to administration expenses in the Consolidated Income Statement for defined benefit schemes is £2m (2022: £nil).

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £50m (2022: £47m).

(ii) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2023	2022
	£m	£m
Actual return less expected return on assets	(1)	23
Loss/(gain) arising from changes to financial assumptions	1	(26)
Loss arising from changes to experience assumptions	1	1
Gain arising from changes to demographic assumptions	(1)	(1)
Total remeasurement gain credited directly to equity	–	(3)

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. The Group automatically enrolls 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 since 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 2023 Bupa Annual Report and Accounts for full details.

Notes to the Consolidated Financial Statements (continued)

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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 2023 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Trustees are appointed for each scheme as determined by its 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.

The smaller defined benefit pension schemes are not individually material to the Group on a net surplus/deficit basis, but details have been disclosed within the subsidiary financial statements of the relevant sponsoring employer of each scheme.

(a) Assets and liabilities of schemes

	2023	2022
	£m	£m
Present value of funded obligations	(55)	(54)
Fair value of scheme assets	50	49
Net liabilities of funded schemes	(5)	(5)
Present value of unfunded obligations	(1)	–
Net recognised liabilities	(6)	(5)
In the Consolidated Statement of Financial Position:		
Net liabilities	(8)	(7)
Net assets	2	2
Net recognised liabilities	(6)	(5)

(b) Present value of schemes' obligations

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

	2023	2022
	£m	£m
At beginning of year	54	82
Interest on obligations	3	1
Administration expenses	2	–
Loss/(gain) from changes to financial assumptions	1	(26)
Loss from changes to experience assumptions	1	1
Gain from changes to demographic assumptions	(1)	(1)
Benefits paid	(3)	(4)
Foreign exchange	(1)	1
At end of year	56	54

(c) Fair value of funded schemes' assets

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

	2023	2022
	£m	£m
At beginning of year	49	74
Interest income	3	1
Return on assets excluding interest income	1	(23)
Contributions by employer	1	1
Benefits paid	(3)	(4)
Foreign exchange	(1)	–
At end of year	50	49

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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

	2023	2023	2022	2022
	£m	%	£m	%
Government bonds	17	34 %	12	25 %
Equities	15	30 %	6	12 %
Corporate bonds	10	20 %	11	23 %
Cash/other assets	7	14 %	13	26 %
Loans	1	2 %	7	14 %
Total market value	50	100 %	49	100 %

Aside from government bonds, equities and corporate bonds in the table above, no other assets have a quoted market price.

Amounts reported in the table above include those held through pooled investment funds in which Bupa is not the sole investor, as well as direct investments.

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:

	2023	2022
	%	%
Inflation rate	3.2	3.2
Rate of increase in salaries	2.9	3.0
Rate of increase of pensions in payment	3.6	3.6
Rate of increase of pensions in deferment	3.1	3.1
Discount rate for scheme assets and obligations	4.8	5.0

(a) Actuarial assumptions underlying the valuation of obligations

The inflation rate 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 reporting date on high-quality corporate bonds of appropriate term.

An increase/decrease in the discount rate by 0.5%, while holding all other assumptions constant, would result in a decrease/increase in the defined benefit pension scheme liabilities by £3m (2022: £3m).

(b) Mortality assumptions

The mortality tables adopted as at 31 December 2023 are the S3PA year of birth mortality tables using the CMI 2022 projection model, with a long-term rate of improvement of 1.5% p.a. adjusted by 104% (male non-pensioners); 94% (female non-pensioners); 97% (male pensioners) and 94% (female pensioners) (2022: CMI 2021 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)).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

The average life expectancy on retirement at age 60 are as follows:

	2023	2022
For members aged 60, on the valuation date:		
Male	26.5	27.9
Female	28.9	29.7
For member aged 45, on the valuation date:		
Male	27.3	28.8
Female	30.2	30.9

(c) Assumptions over duration of liabilities

The weighted average duration of the defined benefit obligation is approximately 12 years (2022: approximately 11 years).

8 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 which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. 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 reporting 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	
	2023	2022 restated ¹	2023	2022 restated ¹	2023	2022 restated ¹
	£m	£m	£m	£m	£m	£m
Accelerated capital allowances ¹	34	59	(56)	(54)	(22)	5
Post-employment benefits	2	3	(2)	(1)	–	2
Revaluation of properties to fair value	1	1	(84)	(87)	(83)	(86)
Employee benefits (other than post-employment)	64	47	(4)	–	60	47
Provisions ¹	105	112	–	–	105	112
Taxation value of losses carried forward	32	48	–	–	32	48
Goodwill and intangible assets	10	13	(116)	(136)	(106)	(123)
Other ¹	37	35	(43)	(25)	(6)	10
Deferred taxation (before allowable netting) ¹	285	318	(305)	(303)	(20)	15
Allowable netting of deferred taxation ¹	(190)	(191)	190	191	–	–
Deferred taxation – net	95	127	(115)	(112)	(20)	15

1. Amounts have been restated for the adoption of IFRS 17 and amendments to IAS 12. See Note 1.5.

Unrecognised deferred taxation assets

As at 31 December 2023, the Group had deductible temporary differences relating to trading losses of £223m (2022 (restated): £194m), to capital losses of £154m (2022: £80m), and to other temporary differences of £35m (2022: £9m) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Initial application of IAS 29 £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Transfers to held for sale £m	Foreign exchange £m	At end of year £m
2023								
Accelerated capital allowances	5	–	(24)	–	–	–	(3)	(22)
Post-employment benefits	2	–	(2)	–	–	–	–	–
Revaluation of properties to fair value	(86)	–	(2)	–	–	–	5	(83)
Employee benefits (other than post-employment)	47	–	15	–	–	–	(2)	60
Provisions	112	–	2	–	–	–	(9)	105
Taxation value of losses carried forward	48	–	(12)	–	–	(1)	(3)	32
Goodwill and intangible assets	(123)	–	14	–	–	(1)	4	(106)
Other	10	–	(21)	–	–	–	5	(6)
Total	15	–	(30)	–	–	(2)	(3)	(20)

	At beginning of year £m	Initial application of IAS 29 ² £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Transfers to held for sale £m	Foreign exchange £m	At end of year £m
2022 restated¹								
Accelerated capital allowances ¹	4	–	3	–	(1)	–	(1)	5
Post-employment benefits	2	–	–	–	–	–	–	2
Revaluation of properties to fair value	(102)	–	10	11	–	–	(5)	(86)
Employee benefits (other than post-employment)	43	–	2	–	–	–	2	47
Provisions ¹	110	–	(3)	–	–	–	5	112
Taxation value of losses carried forward	44	–	(1)	–	1	–	4	48
Goodwill and intangible assets	(198)	(6)	87	–	–	–	(6)	(123)
Other ¹	23	–	(26)	1	–	–	12	10
Total	(74)	(6)	72	12	–	–	11	15

1. Amounts have been restated for the adoption of IFRS 17 and amendments to IAS 12. See Note 1.5.

2. See Note 1.7 for details of the impacts of IAS 29.

9 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.

	2023 £m	2022 £m
Non-current restricted assets	33	40
Current restricted assets	89	79
Total restricted assets	122	119

The non-current restricted assets balance of £33m (2022: £40m) consists of cash deposits held in respect of a charge over certain unfunded pension scheme obligations in the Parent. Included in current restricted assets is £85m (2022: £74m) cash in respect of claims funds held on behalf of corporate customers.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

10 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 in 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 are recognised in 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 FVOCI 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 in 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. For trade receivables lifetime ECL is always applied. 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 other than trade receivables, 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 25.5.

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Financial investments are analysed as follows:

	Carrying value 2023 £m	Fair value 2023 £m	Carrying value 2022 £m	Fair value 2022 £m
Fair value through profit or loss				
Corporate debt securities and secured loans	312	312	301	301
Government debt securities	34	34	41	41
Pooled investment funds	524	524	459	459
Deposits with credit institutions	25	25	4	4
Other loans	–	–	7	7
Equities	36	36	32	32
Fair value through other comprehensive income				
Corporate debt securities and secured loans	17	17	41	41
Government debt securities	37	37	19	19
Amortised cost				
Corporate debt securities and secured loans	1,056	1,061	1,114	1,110
Government debt securities	507	510	468	468
Deposits with credit institutions	1,090	1,095	1,230	1,230
Total financial investments	3,638	3,651	3,716	3,712
Non-current	780	784	756	752
Current	2,858	2,867	2,960	2,960

Fair value of financial investments

An asset's fair value is the price at which an orderly transaction to sell or 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 the market participant that holds the asset). The objective of a fair value measurement is to estimate this price.

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 supported by market transactions and observable market data provided 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).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

An analysis of the financial investment fair values by hierarchy level is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2023				
Fair value through profit or loss				
Corporate debt securities and secured loans	18	293	1	312
Government debt securities	13	21	–	34
Pooled investment funds	93	407	24	524
Deposits with credit institutions	25	–	–	25
Equities	–	–	36	36
Fair value through other comprehensive income				
Corporate debt securities and secured loans	17	–	–	17
Government debt securities	37	–	–	37
Amortised cost				
Corporate debt securities and secured loans	443	618	–	1,061
Government debt securities	325	185	–	510
Deposits with credit institutions	–	1,095	–	1,095
Total financial investments	971	2,619	61	3,651
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2022				
Fair value through profit or loss				
Corporate debt securities and secured loans	21	279	1	301
Government debt securities	22	19	–	41
Pooled investment funds	89	347	23	459
Deposits with credit institutions	4	–	–	4
Other loans	–	–	7	7
Equities	–	–	32	32
Fair value through other comprehensive income				
Corporate debt securities and secured loans	38	3	–	41
Government debt securities	19	–	–	19
Amortised cost				
Corporate debt securities and secured loans	488	622	–	1,110
Government debt securities	290	178	–	468
Deposits with credit institutions	–	1,230	–	1,230
Total financial investments	971	2,678	63	3,712

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.

There were no transfers between fair value hierarchy levels in the year (2022: £nil).

The Group currently holds Level 3 financial investments totalling £61m. The majority of Level 3 investments are unlisted equities and pooled investment funds valued at recent subscription values and conversion prices, which are considered to be unobservable inputs. Changes to the valuation assumptions which are reasonably possible could result in a change in fair value of plus or minus £3m (2022: plus or minus £3m).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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

	2023	2022
Level 3	£m	£m
At beginning of year	63	34
Additions	1	4
Net (decrease)/increase in fair value ¹	(1)	24
Transfer between levels	–	–
Foreign exchange	(2)	1
At end of year	61	63

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

The Group uses a market interest curve supported by third parties as at the reporting date to discount financial assets, borrowings and derivatives, where the fair value cannot otherwise be found from quoted market values. The interest rate used is based on the duration of the financial asset/liability resulting in a range as follows:

	2023	2022
	%	%
Sterling assets and liabilities	4.2 - 4.3	3.4 - 3.7
Australian dollar assets and liabilities	3.6 - 3.9	3.3 - 3.7
Euro assets and liabilities	2.3 - 3.1	2.5 - 2.6
US dollar assets and liabilities	3.9 - 4.7	3.9 - 4.6

11 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.

Derivative financial instruments are accounted for at fair value through profit or loss unless hedge accounting requires another treatment. See Note 25 for details on how the Group accounts for derivatives that qualify for hedge accounting. 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.

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

- The fair value of currency contracts, including forwards, swaps and options is determined using third-party sourced market data at the reporting date. The resulting value reflects changes in spot exchange rates and interest differential between the currency pair involved, over the life of the contract, discounted back to the 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.

	2023	2022
	£m	£m
Derivative assets		
Non-current	17	2
Current	29	26
Total derivative assets	46	28
Derivative liabilities		
Non-current	(42)	(64)
Current	(21)	(73)
Total derivative liabilities	(63)	(137)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

12 Insurance and reinsurance contracts

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Unit of account

A portfolio of insurance contracts is defined as insurance contracts subject to similar risks and managed together. The Group defines portfolios as insurance Business Units at a minimum, as the Group essentially sells one health insurance product line where cash flows are generally expected to respond similarly in direction and timing to changes in assumptions and as the Group manages the insurance business at geographical Business Unit level. There may be further disaggregation if there are business lines which are managed separately and have different risk profiles.

Each portfolio is subsequently disaggregated into groups of contracts:

- that are onerous at initial recognition;
- that have no significant possibility of becoming onerous subsequently; and
- all remaining contracts.

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. An assessment is made whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. Bupa assesses the profitability of a set of contracts for which it has reasonable and supportable information that the contracts will all be in the same group. Each set contains contracts issued in a single half year period, which is a subset of one issuing year of a portfolio. Insurance contracts remain within the same group from initial recognition until they are derecognised.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group's policy is that for reinsurance contracts held, each individual reinsurance contract is considered a group.

Recognition and derecognition

Groups of insurance and reinsurance contracts are initially recognised from the earliest of the beginning of the coverage period; the date when the first payment from a policyholder in the group becomes due; and when the group of contracts or the underlying insurance contract becomes onerous.

For proportional reinsurance, recognition is the later of the date that any underlying insurance contract is initially recognised or the beginning of the coverage period of the group of reinsurance contracts held.

A group of insurance contracts or reinsurance contracts are derecognised when all rights and obligations are extinguished or a contract modification occurs.

Contract boundary and fulfilment cash flows

Cash flows are within the boundary of an insurance or reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period. For insurance contracts, Bupa has a substantive right when it can compel the policyholder to pay the premiums or a substantive obligation when it has to provide the policyholder with insurance contract services. For reinsurance contracts held, the substantive right is to receive reinsurance services and the substantive obligation is to pay amounts to the reinsurer.

Cash flows within the contract boundary directly relate to the fulfilment of the contract and include cash flows relating to the collection of premiums and payments for claims, benefits and expenses.

Cash flows are outside of the contract boundary of an insurance contract when Bupa's substantive rights and obligations end. This mainly occurs when the Group has the practical ability to reprice the risks of a particular policyholder or change the level of benefits so that the price fully reflects those risks.

Cash flows outside the contract boundary relate to future insurance contracts. These future insurance contracts are recognised only when they meet the recognition criteria.

PAA eligibility

The Group applies the PAA for the measurement of the majority of insurance contracts. The majority of the Group's contracts automatically qualify as the coverage period of each contract in the group is one year or less.

As a result, the Group has taken the available policy choice to apply the PAA to these contracts. The Group also has a small number of policy groups with a coverage period of greater than a year. For these groups of contracts, the Group assesses whether the measurement of the LFRC under the PAA is expected to differ materially from that under the GMM. This requires the use of GMM and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed. As a result of this assessment, these remaining contracts are also eligible to use the PAA measurement model with the exception of one legacy portfolio of individual health contracts in Brazil.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

This portfolio of contracts has a contract boundary of greater than one year where the contracts are onerous and a GMM valuation has been used.

Measurement

Liability for remaining coverage

On initial recognition of each group of insurance contracts, the carrying amount of the LFRC is based on the premiums received less any directly attributable acquisition costs not expensed as incurred. In subsequent periods, the LFRC is increased for any additional premiums received and release of any insurance acquisition cash flows and decreased for the recognition of insurance revenue that is released on a straight-line basis over the coverage period. The Group's default policy is not to adjust the LFRC to reflect the time value of money and the effect of financial risk, as the Group expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is typically no more than one year. However, discounting may be applied in exceptional circumstances, as described below.

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. It includes external and internal costs and incremental direct and indirect costs.

The Group's policy is to expense acquisition costs as they are incurred where the coverage period of each contract in the group is no more than one year. For the remaining contracts with a longer coverage period, insurance acquisition costs are allocated to the relevant group of insurance contracts and reduce the LFRC. The allocated acquisition costs are amortised consistently with the pattern of insurance revenue recognition.

Onerous contracts

If facts and circumstances indicate that a group of contracts is onerous, detailed testing is performed by comparing the carrying amount of the LFRC to the estimated fulfilment cash flows, which include an assessment of the risk adjustment using a confidence level approach. If the carrying amount of the LFRC is less than the estimated fulfilment cash flows, a loss component is recognised. The loss component increases the LFRC and is recognised as an expense in the Consolidated Income Statement. Subsequently, the loss component is reassessed, with any movements in the loss component adjusting the LFRC and being recognised within the Consolidated Income Statement.

Liability for incurred claims

The LFIC 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 liability includes an allowance for claims management and handling expenses.

The Group recognises the LFIC of a group of insurance contracts as the present value of the expected cash flows required to settle the obligation with an adjustment for non-financial risk. The Group does not adjust the future cash flows either for the time value of money or for the effect of financial risk for portfolios in which incurred claims are expected to be paid within one year of occurrence, except in exceptional circumstances, as described below.

The LFIC 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. The ultimate liability may vary as a result of subsequent information and events. Adjustments to claims estimates for prior years are included in the Consolidated Income Statement in the financial year in which the change is made. The methods used and estimates made for the LFIC are reviewed regularly.

Risk adjustment

The risk adjustment reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group has estimated the risk adjustment using a confidence level approach at the 85th percentile (2022: 85th percentile) and any movements in the risk adjustment are recognised in full within the insurance service result.

Reinsurance contracts held

For reinsurance contracts held, Bupa applies the PAA for the majority of reinsurance contracts as the coverage period is one year or less. Bupa assesses the remaining contracts and applies the PAA as the resulting measurement would not differ materially from the result of applying the requirements in the GMM for reinsurance contracts held.

The Group measures the asset for remaining coverage (AFRC) on initial recognition of a group of reinsurance contracts held as the amount of ceded premiums paid. Subsequently the remaining coverage is increased for ceded premiums paid and decreased for amounts of ceded premiums recognised as reinsurance expenses for the services received in the period. The Group releases ceded reinsurance premiums on a passage of time basis over the coverage period. The Group does not adjust the AFRC for the time value of money or for the effect of financial risk as the time between providing the coverage and the related underlying premium is one year or less.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

The carrying amount of a group of reinsurance contracts held also includes the asset for incurred claims (AFIC) comprising the fulfilment cash flows related to the past service allocated to the group. The Group does not adjust the AFIC for the time value of money or effect of financial risk as recoveries are expected to be paid within one year of occurrence.

The estimates for future cash flows of a group of reinsurance contracts held should allow for the risk of non-performance by reinsurers, which is the probability weighted expected value of the effect of reinsurance counterparty failure to fulfil the contractual obligations. Bupa's policy is to set the non-performance risk to zero as there are restrictions in place on the credit quality and amount of reinsurance ceded to individual counterparties and Bupa uses reinsurance only to a limited extent to mitigate insurance risks.

Discounting

Discounting is optional for the LFRC carrying amount if the time between providing each part of the coverage and the related premium due date is one year or less and for the LFIC if claims are expected to be paid in one year or less from the date the claims are incurred. The Group does not apply discounting to the majority of policies. However, Bupa Acıbadem Sigorta has applied discounting to both the LFRC and LFIC due to the high interest rate and high inflation environment in Türkiye. Bupa Global has also applied discounting to the LFIC for certain groups of insurance contracts as a proportion of claims are settled over a period that is greater than one year. In addition, the LFRC for the legacy individual health policies in Brazil has been discounted due to the long-term nature of these contracts. Where discounting is applied, the Group policy is to use either the PRA published discount rates or European Insurance and Occupational Pensions Authority (EIOPA) specified discount rates. Discount rates are calculated based on a bottom-up approach.

COVID-19 claims savings

In circumstances where a return of premiums is due to policyholders, a provision is established within the LFIC. An insurance provision for the return of premiums was established in 2020 in respect of Bupa Insurance Limited following the commitment to pass back to eligible customers any exceptional financial benefits experienced by the UK PMI business that ultimately arose as a result of the COVID-19 pandemic. As a result of a step-change in claims, the estimate for delayed claims rebounding was reassessed and resulted in the return of premium provision being released in full during the first half of 2023 such that there is no provision remaining at 31 December 2023 (2022: £59m).

Investment components

An investment component is an element within an insurance contract that would require Bupa to repay a policyholder in all circumstances, regardless of whether an insured event occurs. The LFIC includes an insurance provision that is a non-distinct investment component for cash payments to Australia Health Insurance customers under a COVID-19 customer support programme. The provision is recognised at the point the Group formally announces the payment and insurance revenue recognised within the Consolidated Income Statement is reduced accordingly. The insurance provision is subsequently utilised on payment to the eligible customers. As at 31 December 2023, the LFIC includes an insurance provision of £46m (2022 (restated): £35m) relating to these cash giveback payments. The increase in provision of £11m reflects the announcement of £211m further giveback payments during the year, offset by subsequent payments of £200m made to eligible customers.

The Group does not recognise any other material investment components or separate components from insurance contracts.

An analysis of the amounts presented on the Consolidated Statement of Financial Position for insurance and reinsurance contracts is included in the tables below, along with the presentation of current and non-current portions of the balances:

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
Insurance contracts						
Non-current	–	–	(133)	(130)	(133)	(130)
Current	–	–	(2,475)	(2,248)	(2,475)	(2,248)
Total insurance contract liabilities	–	–	(2,608)	(2,378)	(2,608)	(2,378)
Reinsurance contracts						
Non-current	1	1	–	–	1	1
Current	37	20	–	–	37	20
Total reinsurance contract assets	38	21	–	–	38	21

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12.1 Insurance contracts roll forward

For year ended 31 December 2023	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component £m	Loss component £m	Estimates of present value of future cash flows £m	Risk adjustment £m	
Insurance contract liabilities at beginning of year	1,081	100	1,176	21	2,378
Insurance revenue	(10,770)	–	–	–	(10,770)
Insurance service expenses	(6)	(27)	10,344	7	10,318
Incurred claims and other expenses	–	–	10,372	13	10,385
Amortisation of insurance acquisition cash flows	(6)	–	–	–	(6)
Losses on onerous contracts and (reversal) of those losses	–	(27)	–	–	(27)
Changes to liabilities for incurred claims relating to past service	–	–	(28)	(6)	(34)
Insurance service result	(10,776)	(27)	10,344	7	(452)
Foreign exchange	(41)	(1)	(61)	(1)	(104)
Finance expense from insurance contracts issued	–	19	6	–	25
Total changes in statement of comprehensive income	(10,817)	(9)	10,289	6	(531)
Other movements¹	(2)	–	(148)	–	(150)
Non-distinct investment components	(223)	–	223	–	–
Cash flows					
Premiums received	11,152	–	–	–	11,152
Claims and other expenses paid	–	–	(10,227)	–	(10,227)
Insurance acquisition cash flows	(14)	–	–	–	(14)
Total cash flows	11,138	–	(10,227)	–	911
Insurance contract liabilities at end of year	1,177	91	1,313	27	2,608

1. Other movements include £147m of amortisation and depreciation expenses included within insurance service expense (see Note 2.3) that are non-cash items that do not form part of the insurance contract liabilities balance.

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For year ended 31 December 2022 restated ^{1,2}	Liability for remaining coverage		Liability for incurred claims		Total £m
	Excluding loss component £m ¹	Loss component £m	Estimates of present value of future cash flows £m ^{1,2}	Risk adjustment £m	
Insurance contract liabilities at beginning of year	985	94	1,098	14	2,191
Insurance revenue	(10,033)	–	–	–	(10,033)
Insurance service expenses	–	8	9,326	5	9,339
Incurred claims and other expenses	–	–	9,302	–	9,302
Losses on onerous contracts and (reversal) of those losses	–	8	–	–	8
Changes to liabilities for incurred claims relating to past service	–	–	24	5	29
Insurance service result	(10,033)	8	9,326	5	(694)
Foreign exchange	20	10	62	2	94
Finance income from insurance contracts issued	–	(16)	–	–	(16)
Total changes in statement of comprehensive income	(10,013)	2	9,388	7	(616)
Other movements ¹	–	–	(187)	–	(187)
Non-distinct investment components ²	(177)	–	177	–	–
Cash flows					
Premiums received	10,286	4	–	–	10,290
Claims and other expenses paid	–	–	(9,300)	–	(9,300)
Total cash flows	10,286	4	(9,300)	–	990
Insurance contract liabilities at end of year	1,081	100	1,176	21	2,378

- Other movements have been restated to include £149m of amortisation and depreciation expenses that are included within insurance service expense (see Note 2.3). These expenses are non-cash items that do not form part of the insurance contract liabilities balance. The remaining balance of £38m relates to the sale of a portfolio of life insurance in Bupa Global Latin America.
- Non-distinct investment components have been restated by £90m due to the September 2022 giveback being incorrectly excluded.

Contracts measured on a GMM basis

Included within the loss component is £49m (2022: £45m) related to the legacy portfolio of individual health contracts in Brazil, measured on a GMM basis. This portfolio is onerous as, due to regulatory restrictions on pricing, the insurance contracts continue to renew at premium rates that do not reflect the current cost of claims. During the year, movement in the loss component driven by a change in the discount rate and the impact of the unwind of discounting applied to the fulfilment cash flows is a £17m expense (2022: £16m income) and is recognised as insurance financial expense (2022: income) within the Consolidated Income Statement.

As the portfolio is onerous, the contractual service margin is nil. A risk adjustment of £9m (2022: £10m) is recognised to compensate the Group for the uncertainty about the amount and timing of cash flows from non-financial risk as the Group fulfils these contracts.

12.2 Reinsurance contracts roll forward

For year ended 31 December 2023	Asset for remaining coverage £m	Amount recoverable on incurred claims £m	Total £m
Reinsurance contract assets at beginning of year	(18)	39	21
Allocation of reinsurance premiums	(148)	–	(148)
Amounts recoverable from reinsurers for incurred claims:			
Amounts recoverable for incurred claims and other expenses	–	140	140
Changes to amounts recoverable for incurred claims relating to past service	–	1	1
Net expense from reinsurance contracts held	(148)	141	(7)
Foreign exchange	–	(1)	(1)
Cash flows			
Premiums paid	150	–	150
Recoveries from reinsurance	–	(125)	(125)
Total cash flows	150	(125)	25
Reinsurance contract assets at end of year	(16)	54	38

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A risk adjustment is estimated on the amount recoverable on incurred claims using a confidence level approach at the 85th percentile (2022: 85th percentile). As this totals less than £1m, it has not been separately presented.

For year ended 31 December 2022	Asset for remaining coverage £m	Amount recoverable on incurred claims £m	Total £m
Reinsurance contract assets at beginning of year	(17)	35	18
Allocation of reinsurance premiums	(116)	–	(116)
Amounts recoverable from reinsurers for incurred claims:			
Amounts recoverable for incurred claims and other expenses	–	94	94
Net expense from reinsurance contracts held	(116)	94	(22)
Foreign exchange	2	(1)	1
Cash flows			
Premiums paid	113	–	113
Recoveries from reinsurance	–	(89)	(89)
Total cash flows	113	(89)	24
Reinsurance contract assets at end of year	(18)	39	21

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 the extent to which any groups of contracts have become onerous.

The principal assumptions in the estimation of the LFIC 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.

Claims development patterns are analysed in each of the Group's insurance Business Units. 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, claims 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.

Estimation uncertainty exists in determining a loss component, where facts and circumstances are identified that may indicate that a group of onerous contracts exists. As described above, a loss component is measured by comparing the current estimates of the fulfilment cash flows that relate to the remaining coverage to the carrying amount of the LFRC. Uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims and any other expenses, based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date. Estimation is also involved in deriving an appropriate discount rate applied to the fulfilment cash flows, in particular, for the legacy individual health policies in Brazil due to the long-term nature of these contracts.

Insurance provisions are inevitably estimates. Actual experience or losses incurred may vary from that anticipated in the reserving estimates.

The following tables show the impact on profit before taxation of reasonably possible variations in the key assumptions used to determine the best estimate of claims provisioning and in estimating the fulfilment cash flows used in onerous contract testing. Changes to these assumptions are made while holding all other assumptions constant, however in practice, it is likely that variations in some of the assumptions may be correlated. The sensitivity analysis reflects one-off impacts at the reporting date and should not be interpreted as predictions.

The sensitivity analysis includes the legacy portfolio of individual health contracts in Brazil, measured on a GMM basis.

Any loss is reduced only to a limited extent by reinsurance provided by third-party reinsurers. As the mitigation impact is not material for the Group, the impact of reinsurance is not separately disclosed in the tables below.

As the impact on equity will not be materially different from the profit before taxation impact, this has not been separately disclosed.

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Best estimate of claims provisioning

	Claims ¹	Expenses ²
2023		
Change in variable	Increase/decrease by 2%	Increase/decrease by 10%
Impact on profit before taxation	Decrease/increase by £24m	Decrease/increase by £3m
2022		
Change in variable	Increase/decrease by 2%	Increase/decrease by 10%
Impact on profit before taxation	Decrease/increase by £21m	Decrease/increase by £2m

Onerous contract testing

	Claims ²	Expenses ²	Discount rate ^{2,3}
2023			
Change in variable	Increase/decrease by 2%	Increase/decrease by 10%	Increase/decrease by 1%
Impact on profit before taxation	Decrease/increase by £14m	Decrease by £8m/increase by £7m	Increase by £11m/decrease by £18m
2022			
Change in variable	Increase/decrease by 2%	Increase/decrease by 10%	Increase/decrease by 1%
Impact on profit before taxation	Decrease by £15m/increase by £14m	Decrease by £10m/increase by £7m	Increase by £10m/decrease by £14m

1. The impact of any movement in claims is shown net of reinsurance as both gross and ceded claims are affected by this sensitivity.
2. Sensitivity analysis excludes the impact of reinsurance as any movements would not be passed on ceded insurance contracts.
3. Sensitivity of the discount rate on onerous contract testing has only been applied to profitability sets in which discounting has been applied.

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.

As at 31 December 2023, inventories were £76m (2022: £91m). Inventory write-downs of £4m were made during the year (2022: £4m). The Group consumed £229m (2022: £219m) 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	2023 £m	2022 restated ¹ £m
Trade receivables	(a)	414	420
Amounts owed by Parent		55	50
Other receivables ¹	(a)	154	225
Service concession receivables	(b)	30	71
Prepayments ¹		114	110
Contract costs		3	4
Accrued income		59	58
Total trade and other receivables		829	938
Non-current		23	24
Current ¹		806	914

1 Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Trade and other receivables are carried at amortised cost, net of provisions for ECLs. Trade receivables relate to consideration due from non-insurance 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 non-insurance customer contracts that are outside the scope of IFRS 15, e.g. rental receivables. Information regarding the ageing of trade and other receivables is shown in Note 25.5.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

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. See Note 10 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 are then used to establish the ECL provision for each category. An analysis of ECL provisions for trade and other receivables is disclosed in Note 25.5. All impairment losses are recognised in the Consolidated Income Statement within net impairment on financial assets. Impairment losses on trade receivables of £19m have been recognised in the period (2022: £11m).

(b) Service concession receivables

The Group has recognised service concession receivables in respect of a public-private partnership arrangement in Spain. 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 (using the effective interest method) less ECL provision.

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 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.

15 Assets and liabilities held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered primarily through sale rather than continuing use and a sale within 12 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

	2023	2022
	£m	£m
Assets held for sale		
Property, plant and equipment	41	31
Investment property	–	1
Financial investments	5	–
Cash and cash equivalents	2	–
Total assets held for sale	48	32
Liabilities associated with assets held for sale		
Lease liabilities	(2)	–
Provisions for liabilities and charges	(2)	(1)
Insurance contract liabilities	(4)	–
Trade and other payables	(1)	–
Total liabilities held for sale	(9)	(1)
Net assets held for sale	39	31

Net assets held for sale as at 31 December 2023 predominantly comprise a number of care homes within Bupa UK Care Services and Bupa Villages and Aged Care New Zealand, an insurance business in ELA, as well as a number of dental practices within Bupa Dental Care UK.

An impairment loss of £8m (2022: £nil) has been recognised within other income and charges (see Note 2.4) in the Consolidated Income Statement resulting from write-downs on the classification of assets as held for sale in the year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Net assets held for sale as at 31 December 2022 primarily comprised a number of care homes within Bupa UK Care Services and Bupa Villages and Aged Care New Zealand, and an office within Care Plus in Brazil.

16 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.

	2023	2022
	£m	£m
Cash at bank and in hand	1,075	1,141
Short-term deposits	1,203	262
Total cash and cash equivalents	2,278	1,403

Bank overdrafts of £1m (2022: £2m) that are repayable on demand are reported within other interest-bearing liabilities (Note 17) in the Consolidated Statement of Financial Position. Demand deposits with restrictions on use set by a third party that fundamentally change their nature are reported within restricted assets (Note 9) in the Consolidated Statement of Financial Position. Both of these are considered components of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

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. Subsequently, 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 under fair value hedges. Changes in the fair value of swaps designated and qualifying as fair value hedge are recorded in the Consolidated Income Statement together with changes in the fair value of the borrowings, due to the hedged risk. A gain or loss relating to any ineffective portion is directly recognised in the Consolidated Income Statement.

	Note	2023	2022
		£m	£m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	747	998
Total subordinated liabilities		747	998
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	1,035	600
Fair value adjustment in respect of hedged interest rate risk		(22)	(60)
Bank loans and overdrafts	(c)	48	108
Other unsecured loans	(d)	29	–
Total other interest-bearing liabilities		1,090	648
Total borrowings		1,837	1,646
Non-current		1,489	1,287
Current		348	359

	Subordinated liabilities		Other interest-bearing liabilities		Total	
	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
At beginning of year	998	997	648	822	1,646	1,819
Arising on business combinations	–	–	–	1	–	1
Net (repayments)/proceeds	(250)	–	400	(141)	150	(141)
Interest payments	(41)	(47)	(25)	(17)	(66)	(64)
Accrued interest and amortisation	40	48	30	19	70	67
Fair value adjustment in respect of hedged risk	–	–	38	(44)	38	(44)
Foreign exchange	–	–	(1)	8	(1)	8
At end of year	747	998	1,090	648	1,837	1,646

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

(a) Subordinated unguaranteed bonds

The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts, was £747m (2022: £998m).

On 25 April 2023, the Company redeemed the outstanding maturing £250m of the £500m 5.000% fixed rate subordinated bonds.

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 5.000% 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 12 October 2023, the Company issued €500m of senior unsecured bonds, guaranteed by the Parent, which mature on 12 October 2030. The bonds bear interest on their outstanding principal amount at a fixed rate of 5.00% per annum. The total hedged fair value of these bonds, including accrued interest, capitalised issue costs and discounts, is £447m. The change in value arising from interest rate risk is matched, subject to any hedge ineffectiveness, by the fair value of swap contracts in place to hedge this risk.

On 13 April 2022, Bupa Chile early redeemed £47m of inflation-linked senior unsecured bonds that were issued on 30 June 2012 and originally due to mature on 30 June 2033. This led to a loss of £6m in 2022 charged to the Consolidated Income Statement within financial expenses (see Note 2.5).

On 25 June 2020, the Company issued £300m of senior unsecured bonds, guaranteed by the Parent, 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 £268m (2022: £252m). The change in value arising from interest rate risk is matched, subject to any hedge ineffectiveness, 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 2.000% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £299m (2022: £288m). The change in value arising from interest rate risk is matched, subject to any hedge ineffectiveness, by the fair value of swap contracts in place to hedge this risk.

See Note 25.4 for details on the Group's interest rate hedging activities.

(c) Bank loans and overdrafts

Bank loans and overdrafts are £48m (2022: £108m), which includes a portfolio of loans held in Bupa Chile totalling £29m (2022: £33m) and loans held in Grupo Bupa Sanitas S.L. of £18m (2022: £3m).

The Group maintains a £900m revolving credit facility which had an initial maturity of December 2026 with two, one-year extension options. The facility was extended by the two, one-year extension options in November 2022 and November 2023 respectively. The maturity date for the facility is now December 2028. The facility was not drawn down at 31 December 2023 (2022: £70m drawn down). Drawings under the £900m facility are guaranteed by the Company and 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 SONIA for sterling or equivalent for other currencies.

(d) Other unsecured loans

The Group has other unsecured loans of £29m (2022: £nil), which includes a loan from George Health Enterprises Pty Ltd. This is an unsecured facility due on 30 June 2025 and is repayable at any time prior to the expiry date.

Fair value of financial liabilities

The fair value of a financial liability is defined as the amount for which the 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. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Financial liabilities are categorised into a three-level fair value hierarchy as described in Note 10. Where the fair value of a bond cannot be otherwise determined from quoted market values, the instrument is discounted using similar duration treasuries and applying an instrument-specific spread.

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

	2023				2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Subordinated liabilities	678	–	–	678	906	–	–	906
Senior unsecured bonds	1,033	–	–	1,033	545	–	–	545
Other unsecured loans	–	–	29	29	–	–	–	–
Bank loans and overdrafts	–	48	–	48	2	106	–	108
Total fair value	1,711	48	29	1,788	1,453	106	–	1,559

The Group does not have any material Level 3 financial liabilities except for the unsecured loan disclosed in (d).

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 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 contractually required 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 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.

	2023 £m	2022 £m
Lease liabilities		
At beginning of the year	926	915
Additions arising on business combinations	–	4
Additions	76	51
Disposals	(5)	(1)
Remeasurement	62	56
Interest on lease liabilities	49	46
Repayments	(197)	(181)
Transfer to liabilities associated with assets held for sale	(2)	–
Foreign exchange	(15)	36
At end of year	894	926
Non-current	763	795
Current	131	131

See Note 25.6 for maturity analysis of lease liabilities.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Expenses

The Consolidated Income Statement includes expenses relating to short-term leases of £2m (2022: £4m) and expenses relating to leases of low-value assets of £nil (2022: £1m). Depreciation of right-of-use assets is reported in Note 4. Interest on lease liabilities is reported within financial expenses (see Note 2.5).

Extension options

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

As at 31 December 2023, potential discounted future cash outflows of £298m (2022: £358m) have not been included within lease liabilities because it is not reasonably certain that the related extension options will be exercised.

Termination options

A number of the Group's lease contracts contain termination options. Periods covered by a termination option are only included in the lease term if the lessee is reasonably certain not to exercise the option.

As at 31 December 2023, potential discounted future cash outflows of £51m (2022: £60m) have not been included within lease liabilities because it is not reasonably certain that the related termination options will not be exercised.

Future lease commitments

The Group is committed to leases that have not yet commenced to the value of £9m as at 31 December 2023 (2022: £10m).

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 £30m (2022: £23m).

19 Provision 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 created 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 a current market assessment 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 amounts that are ultimately paid could differ from the amounts recorded.

	Long service and annual leave	Customer remediation and legal provisions ¹	Provision for underpayment of employee entitlements	Property restoration provision	NHS dental contract clawback provision	Contract provisions	Other	Total
2023	£m	£m	£m	£m	£m	£m	£m	£m
At beginning of year ¹	97	13	41	30	50	25	31	287
Interest on obligations	–	–	–	1	–	–	–	1
Charge for year	65	8	6	1	54	33	37	204
Released in year	(11)	(5)	–	(1)	–	–	(3)	(20)
Utilised in year	(42)	(1)	(22)	(3)	(48)	–	(9)	(125)
Transfer to liabilities held for sale	(1)	–	–	(1)	–	–	–	(2)
Foreign exchange	(7)	–	(2)	–	–	(1)	–	(10)
Total provisions for liabilities and charges	101	15	23	27	56	57	56	335
Non-current	24	8	–	22	–	46	24	124
Current	77	7	23	5	56	11	32	211

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Notes to the Consolidated Financial Statements (continued)

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Long service and annual leave

The long service leave provisions relate 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 provisions relate 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.

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 costs are uncertain.

Provision for underpayment of employee entitlements

In 2021, a provision was 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. The Group anticipates that the remaining remediation payments will be made during 2024.

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 costs are 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.

Contract provisions

Provisions are held in respect of amounts potentially due to third parties to settle liabilities arising in relation to performance under certain contracts. Due to the nature of the matters arising, the timing and potential costs are uncertain.

Other

Other provisions include regulatory provisions relating to settlements, penalties and levies payable to the Group's various regulators and other smaller provisions, along with contingent consideration related to earn-out payable on acquisitions of dental practices in Poland.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

20 Trade and other payables

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

	Note	2023 £m	2022 restated ¹ £m
Accruals		754	697
Refundable accommodation deposits	(a)	464	455
Amounts owed to parent		118	119
Trade payables ¹		311	295
Other payables ¹		193	196
Occupational right agreement liabilities	(b)	387	374
Deferred revenue ¹	(c)	116	106
Social security and other taxes		74	66
Total trade and other payables		2,417	2,308
Non-current		16	23
Current ¹		2,401	2,285

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

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 their fair value. Information regarding the maturity of trade payables, other payables, occupational rights agreement liabilities, refundable accommodation deposits and accruals is shown in Note 25.6.

(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 but are recognised as current liabilities in the Consolidated Statement of Financial Position. 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 or a care home resident occupying a care suite in New Zealand. 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 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 revenue

The total balance of £116m (2022 (restated): £106m) includes £80m (2022: £79m) 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 this deferred revenue balance during the year are as follows:

	2023 £m	2022 £m
At beginning of year	79	81
Revenue recognised	(437)	(390)
Revenue deferred	440	384
Foreign exchange	(2)	4
At end of year	80	79

Revenue recognised includes £72m (2022: £75m) of revenue that was deferred at the beginning of the year. £77m (2022: £72m) of revenue deferred as at 31 December 2023 will be recognised during 2024 as the performance obligations are satisfied. £3m (2022: £7m) of revenue deferred as at 31 December 2023 will be recognised over the remaining contract period.

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21 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.

	2023	2022
	£m	£m
Restricted Tier 1 notes	297	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 £12m (2022: £12m).

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.

22 Share capital

	2023	2022
	£m	£m
Allocated, called-up and fully paid		
200,050,000 ordinary shares of £1 each	200	200

23 Business combinations and disposals

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

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) 2023 acquisitions

During the year, the Group made acquisitions for a total consideration of £63m, recognising net assets on acquisition of £26m.

In June 2023, the Group acquired the insurance and medical business of Asefa, S.A. Seguros y Reaseguros, an insurance company specialising in the construction industry that operates in Spain, for consideration of £32m. Intangible assets consisting of customer relationships and computer software totalling £18m, other net liabilities of £(1)m and resulting goodwill of £15m were recognised on acquisition.

Acquisitions with a total consideration of £13m were made in Poland over the course of the year as the Group continued to grow and enter into new market segments. These included the acquisitions of Orthos, Stomatologia Makara and 4Dent for consideration of £13m. Intangible assets consisting of brands/trademarks of £1m and other net assets of £4m were recognised in respect of the acquisitions along with associated goodwill of £8m.

Notes to the Consolidated Financial Statements (continued)

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Acquisitions with a total consideration of £15m were made in Brazil as part of a strategic plan to acquire new businesses in the region. These included the acquisitions of Instituto de Previdência e Assistência Odontologia Ltda and Vacinar Centro De Imunizacao Ltda for consideration of £8m and £7m respectively. Intangible assets consisting of customer relationships of £3m were recognised in respect of the acquisitions along with associated goodwill of £12m.

In addition, in December 2023, the Group acquired Smart Clinics Limited, a private members healthcare company operating in the UK, for consideration of £4m; other net assets of £1m and resulting goodwill of £3m were recognised on acquisition.

There was an adjustment to goodwill and consideration in respect of the prior year acquisitions in Poland. Both goodwill acquired and consideration decreased by £1m.

Included in the Group Consolidated Income Statement is revenue of £18m and a profit before taxation of £1m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2023, revenue of £26m and a profit before taxation of £3m would have been recorded by the Group for the year ended 31 December 2023.

The following table summarises acquisitions recognised during the year:

	Fair value £m
Intangible assets	22
Property, plant and equipment	5
Financial investments	1
Trade and other receivables	2
Trade and other payables	(2)
Insurance contract liabilities	(2)
Net assets acquired	26
Net assets acquired	26
Goodwill	37
Consideration	63
Consideration satisfied by:	
Cash	61
Deferred and contingent consideration	2
Total consideration paid	63
Purchase consideration settled in cash	61
Net cash outflow on acquisition	61
Settlement of deferred and contingent consideration	2
Net cash outflow associated with acquisitions	63

(b) 2023 disposals

During 2023, the Group made disposals for a total consideration of £31m, recognising net loss on disposals of £1m.

The Group completed the sale of 4 care homes and a retirement village in Bupa Villages and Aged Care New Zealand for a consideration of £11m and the sale of 3 care homes within Bupa UK Care Services for a consideration of £14m, resulting in a net gain on disposal of £3m.

In addition, the Group completed the sale of 12 dental clinics in the UK for a consideration of £4m, resulting in a net gain on disposal of £3m. Other minor disposals in the period included 5 dental clinics in Australia.

The Group liquidated Amedex insurance company resulting in a net gain on disposal of £2m and liquidated Sonorad company in Integramedica business resulting in a net loss on disposal of £8m. Other minor liquidations in the period included the closure of 2 clinics in China.

(c) 2022 acquisitions

During 2022, the Group made acquisitions for a total consideration of £23m, recognising net assets on acquisition of £9m.

Acquisitions with a total consideration of £13m were made in Poland over the course of the year as the Group continued to expand its presence in the region. This included the acquisition of Med-Polonia Sp. z o.o in April 2022 for a consideration of £7m. Total net assets of £4m were recognised in respect of the acquisitions along with associated goodwill of £9m.

Notes to the Consolidated Financial Statements (continued)

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In addition, in November 2022, the Group acquired Bité Medica Hospital in Mexico for a consideration of £9m. Net assets of £5m and resulting goodwill of £4m were recognised on acquisition.

There was an adjustment to goodwill and consideration in respect of the prior year Citomed acquisition. Both goodwill acquired and consideration increased by £1m.

Included in the Group Consolidated Income Statement is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2022, revenue of £14m and a loss before taxation of £2m would have been recorded by the Group for the year ended 31 December 2022.

(d) 2022 disposals

In June 2022, the Group sold its portfolio of life insurance in Bupa Global Latin America to a third party for £(3)m, realising a net loss on disposal of £3m. In June 2022 the Group closed the Bupa representative office in China, resulting in a net loss on disposal of £4m. Other minor disposals in the year included individual dental businesses and care homes in New Zealand, Australia and the UK resulting in a net gain on disposal of £3m.

24 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 Bupa's business for the benefit of current and future customers.

Bupa is subject to the requirements of the Solvency II framework, as enacted in the UK.

Bupa must hold sufficient capital to cover its Group Solvency Capital Requirement (SCR), which takes account of the risks in the Group, including those related to non-insurance businesses.

Bupa's SCR is calculated in accordance with the Standard Formula specified under Solvency II. 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.

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

Bupa's capital resources are managed in line with the Bupa Group 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 are required to 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 and leverage ratios with a view to maintaining investment grade access to both senior and subordinated bond markets. Bupa as a whole is not rated by any rating agency. Individual debt issues and certain subsidiaries within the Group have public ratings from both Fitch and Moody's.

At least annually, the Bupa Group 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 the Group's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment (ORSA) which comprises all the activities by which the Group 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 Bupa's Risk Committee, approved by the Board and submitted to the PRA annually.

Bupa's eligible Own Funds include the Group IFRS net assets (£7.0bn) 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 2023, Bupa's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £5.0bn¹ (2022: £4.9bn), which was in excess of the Bupa Group estimated SCR of £2.9bn¹ (2022: £2.7bn). This represented a solvency coverage ratio of 175%¹ (2022: 181%).

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On 8 January 2024, the Group acquired additional shares in Indian health insurer Niva Bupa Health Insurance Company Limited, resulting in a controlling shareholding. The impact of this acquisition is an estimated 8 percentage point reduction to the Group solvency coverage ratio.

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

25 Risk management

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

Bupa operates a 'three lines' 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 15-18.

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

25.1 Insurance risk

Insurance risk only affects the insurance entities in the Group (see Note 12). 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, regulatory environments and claims. 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 the Group's products allows for responses to be made to any developments, although this can be limited by pricing controls in some markets.

In every health 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.

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The ability to review premium rates is a significant mitigant to pricing risk. The Group does not underwrite a significant amount of health 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 adverse fluctuations 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.

Identified recent adverse claims experience is reflected in these Consolidated Financial Statements in claims paid and movements in the LFIC. Any other adverse claims experience, for example, which is caused by external factors such as medical inflation, will be reflected in the next financial year's Consolidated Financial Statements.

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 acute sickness 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 the claims development patterns. The short-term nature of the Group's health insurance contracts means that movements in claims development assumptions are generally not significant. The development claims settlement patterns are kept under regular review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised health insurance liabilities. In most jurisdictions, the Group has established fee agreements with healthcare provider groups to limit the impact of unexpected claims cost inflation.

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is less than 5% in the context of the Group. The small provisions that relate to longer than one year can be calculated with reasonable confidence.

(iii) Other risks related to underwriting health insurance business

Except for the circumstances described in Note 12, claims provisions are not discounted as claims are expected to be settled in one year or less from the date that the claim has been incurred. The short-term nature of the claims 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.

The Group's health insurance contracts do not contain embedded derivatives; however, 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, as described in Note 25.3.

The majority of the Group's health 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, Türkiye, 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 health insurance entities, are well diversified in respect of insurance risk. Only in very select circumstances does the Group use reinsurance to transfer risk. 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, the Group is not contractually liable for such claims. Risks are reduced to a limited extent 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.

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25.2 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spreads and equity prices. The focus of the Group's long-term financial strategy is to facilitate growth without undue balance sheet risk.

In order to reduce the risk of assets being insufficient to meet future policyholder obligations, the Group actively manages assets using an approach that balances duration, quality, diversification, liquidity and investment return.

The Group invests in a limited portfolio of return-seeking assets (principally bonds and loans) via the regulated entities in the UK and Australia. These assets totalled £671m as at 31 December 2023 (2022: £635m). 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 SCR.

25.3 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 reporting date.
- Income and expenses at average rates for the period.

All foreign exchange differences arising on translation are recognised initially in other 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 subsidiaries are measured using the functional currency of the subsidiary, 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 reporting date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities, when it is presented in financial income or financial expense as appropriate.

Non-monetary assets and liabilities denominated in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction; therefore, no exchange differences arise.

Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Transactional foreign exchange differences are recognised in operating expenses.

Transactional exposures arise as a result of differences between the currency of local revenues and claims, typically in the case of international private medical insurance. The currency exposures are deemed to be acceptable but are kept under review by management.

As disclosed in Note 1.7, Türkiye became a hyperinflationary economy during 2022. As a consequence, IAS 29 is applied and the results and balances for the Group's Turkish operations have been adjusted for changes in the general purchasing power of the Turkish lira. In addition, all Turkish lira amounts, including transactions in the Income Statement during the year, are translated to the Group's presentation currency of sterling, using the closing exchange rate in effect on 31 December 2023. The impact of this adjustment is recorded within other foreign exchange translation differences in the Consolidated Statement of Comprehensive Income and within the foreign exchange translation reserve in the Consolidated Statement of Financial Position. The Group recognises the remaining exchange difference arising on consolidation within other foreign exchange translation differences through other comprehensive income in the foreign exchange translation reserve.

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The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2023	2022	2023	2022
Australian dollar	1.87	1.78	1.87	1.77
Brazilian real	6.21	6.38	6.19	6.38
Chilean peso	1,045.33	1,076.32	1,123.02	1,023.92
Danish krone	8.57	8.73	8.61	8.39
Euro	1.15	1.17	1.15	1.13
Hong Kong dollar	9.74	9.68	9.95	9.42
Mexican peso	22.05	24.88	21.62	23.54
New Zealand dollar	2.03	1.94	2.02	1.91
Polish zloty	5.22	5.50	5.01	5.28
Saudi riyal	4.67	4.64	4.78	4.54
Turkish lira ¹	37.66	22.58	37.66	22.58
US dollar	1.24	1.24	1.27	1.21

1. Closing rate of Turkish lira applied to average rate following the application of IAS 29. See Note 1.7 for details.

Foreign exchange hedging activities

The Group manages its exposure to foreign exchange risk by entering into hedging transactions using derivative financial instruments. The Group also uses non-derivative financial instruments, specifically foreign currency borrowings to hedge foreign currency risk on its net investments in foreign operations. 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, 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, i.e. 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.

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The impact of cash flow hedging activity is set out below.

	2023	2022
	£m	£m
Notional amounts	261	–
Carrying amount – Liabilities	(7)	–
Financial statement line item	Derivatives	–
Change in value used for calculating hedge ineffectiveness	(7)	–
Hedging loss recognised in other comprehensive income	(7)	–
Consolidated Income Statement line item (for ineffectiveness)	Financial expense	–
Consolidated Income Statement line item (for reclassifications)	Financial expense	–
Financial statement line item (for reclassifications)	Goodwill	–
Change in value used for calculating hedge ineffectiveness	(7)	–
Amounts in reserves for continuing hedges	(7)	–

In 2023, foreign currency swap contracts of INR 27,000m (£261m) were entered into to hedge the cash outflows in relation to the acquisition of Niva Bupa Health Insurance Company Limited completed in 2024.

As at 31 December 2023, the cash flow hedge reserve amounts to £7m (2022: £nil).

(c) Net investment hedging

The Group hedges appropriate levels of its net asset exposures after taking into consideration key regulatory and financial metrics. In using derivatives to hedge 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.

Where the Group uses foreign currency denominated debt to hedge currency risk, the Group designates the foreign currency exposure on the debt as the hedge of the change in the value of the investment in foreign operation attributable to a change in the spot rate. Changes in foreign currency exposure on the debt are determined in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

Changes in the fair value of the hedging instruments 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 instruments and the hedged items by comparing changes in the fair value of the hedging instrument with changes in the fair value of a hypothetical derivative, representing the net investment. An amount equal to the excess of the cumulative change in the fair value of the hedging instruments over the cumulative change in the fair value of the hypothetical derivative, is recorded in the Consolidated Income Statement as ineffectiveness. When using derivatives as hedging instruments, ineffectiveness is expected to arise from the effect of the 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.

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Effect of foreign exchange hedging transactions

The table below shows the notional amounts and carrying values of the currency contracts and other interest-bearing liabilities 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.

	2023	2022
	£m	£m
Notional amounts	1,527	1,592
Carrying amount – Assets	22	5
Carrying amount – Liabilities ¹	(458)	(53)
Financial statement line item	Derivatives/Other interest-bearing liabilities	Derivatives
Change in value used for calculating hedge ineffectiveness	73	(82)
Hedging gain/(loss) recognised in other comprehensive income	73	(80)
Hedge ineffectiveness recognised in Consolidated Income Statement	–	(2)
Consolidated Income Statement line item (for ineffectiveness)	Financial expense	Financial expense
Consolidated Income Statement line item (for reclassifications)	Financial expense	Financial expense
Change in value used for calculating hedge ineffectiveness	73	(82)
Amounts in reserves for continuing hedges	73	(82)

1. 2023 includes €500m of senior unsecured bonds which has been designated as a hedge of net investment in foreign operations. A gain of £1m has been recognised in hedging gain recognised in other comprehensive income and change in value used for calculating hedge ineffectiveness. Details of the bond are included in Note 17.

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 2023 are as follows:

	Net currency exposure ¹	Currency contracts	Net currency exposure including hedges
	£m	£m	£m
2023			
Australian dollar	2,492	(548)	1,944
Euro ¹	452	(76)	376
New Zealand dollar	564	(262)	302
US dollar	128	(408)	(280)
Other	1,596	324	1,920
Total foreign currency denominated net assets	5,232	(970)	4,262
Percentage of Group net assets	75%		61%

1. Euro net currency exposure includes €500m of senior unsecured bonds utilised as a hedging instrument. Details of the bond included in Note 17.

	Net currency exposure (restated) ¹	Currency contracts	Net currency exposure including hedges (restated) ¹
	£m	£m	£m
2022 restated¹			
Australian dollar ¹	2,743	(578)	2,165
Euro ¹	993	(502)	491
New Zealand dollar	571	(277)	294
US dollar ¹	287	(368)	(81)
Other ¹	1,461	89	1,550
Total foreign currency denominated net assets	6,055	(1,636)	4,419
Percentage of Group net assets	88%		65%

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

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Currency risk exposure for insurance contracts under IFRS 17 is provided below:

	Net insurance contracts £m	Reinsurance held £m	Total £m
2023			
Australian dollar	(748)	–	(748)
Euro	(318)	2	(316)
US dollar	(238)	14	(224)
Other	(702)	6	(696)
Total foreign currency denominated insurance/reinsurance contracts	(2,006)	22	(1,984)
Percentage of Group net assets	29%		28%

	Net insurance contracts £m	Reinsurance held £m	Total £m
2022			
Australian dollar	(660)	–	(660)
Euro	(278)	1	(277)
US dollar	(242)	11	(231)
Other	(616)	3	(613)
Total foreign currency denominated insurance/reinsurance contracts	(1,796)	15	(1,781)
Percentage of Group net assets	26%		26%

The impact of reasonably possible changes in sterling against the currencies below, with all other variables constant, would have (decreased)/increased profit and hedged equity by the amounts shown below. As currency risk is managed by the Group on a net asset basis, the impact of reasonably possible changes in the currencies of insurance contract liabilities and reinsurance contract assets are not considered separately.

These tables consider both translation and transaction risk.

	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
2023				
Australian dollar	(5)	(177)	6	216
Euro	(19)	(34)	23	42
New Zealand dollar	(1)	(27)	1	34
US dollar	(2)	25	3	(31)
Other	(11)	(174)	14	212
Total sensitivity	(38)	(387)	47	473

	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
2022 restated¹				
Australian dollar ¹	(24)	(197)	29	241
Euro ¹	(23)	(45)	29	55
New Zealand dollar	–	(27)	–	33
US dollar ¹	4	7	(5)	(9)
Other ¹	13	(140)	(16)	171
Total sensitivity	(30)	(402)	37	491

1. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

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25.4 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 Statement of Financial Position 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 2023 was £2,730m (2022: £2,154m). The rate at which maturing deposits are reinvested, in currencies such as sterling and Australian dollar where the Group has a significant variable-rate net asset exposure, represents a significant potential risk to the Group.

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 reasonably possible rise of 100 basis points (bps) in interest rates at the reporting date, on an annualised basis, would have decreased equity by £1m and profit by £2m (2022: decrease of £3m and £2m 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 2023, interest rate swaps totalling £817m (2022: £600m) have been entered into, to swap the fixed rate coupon of the two £300m senior unsecured bonds and 50% of the €500m senior unsecured bond, 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 2023 amounted to a gain of £38m (2022: gain of £43m). The fair value movement on the interest rate swaps amounted to a loss of £38m (2022: loss of £45m) and the fair value and carrying value of this derivative is a £23m liability (2022: £61m). The €500m senior unsecured bond was issued on 12 October 2023 and therefore 2022 comparatives will not include this bond.

25.5 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 the Enterprise Treasury Policy which ensures that there is a sufficient spread of investments and that cash and investment counterparties are rated at least A/A2 unless otherwise approved. The Corporate Finance Executive Committee approves the full list of counterparties used on a periodic basis. There are exceptions to the A/A2 rating requirement for a number of reasons including where local country ratings are below this level and due to certain regulatory and commercial requirements in specific markets.

In estimating ECL on financial investments, the Group reviews individual issuer's default probability based on a credit score model over a 12-month horizon to determine whether there has been a material change in an issue score from the preceding period. Where a specific default score is not available for a single investment, average default probabilities for instruments with a similar credit rating are used. Determining when an issuer is in financial difficulty and that a lifetime ECL allowance is required, requires the use of judgement. The Group considers a number of factors including economy wide and industry specific risk factors, issuer's financial and liquidity position, near-term prospects, credit rating declines and known breaches of contracts in determining financial difficulty.

When there is objective evidence of impairment of a financial asset as a result of one or more events and the event has an impact on the estimated future cash flows of the assets that can be reliably estimated, the Group considers such investment as credit impaired. To the extent that an investment is impaired, it is written down to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate on the instrument. Subsequent recoveries in excess of the written-down carrying value are credited to the Consolidated Income Statement.

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The investment profile (including financial investments, restricted assets and cash and cash equivalents) as at 31 December is as follows:

	2023 £m	2022 £m
Investment grade counterparties	5,194	4,541
Non-investment grade counterparties	844	697
Total	6,038	5,238

Investment grade counterparties include restricted assets of £118m (2022: £117m). Non-investment grade counterparties are those rated below BBB-/Baa3, and mainly comprise corporate bonds, government bonds, deposits with credit institutions and pooled investment funds of £659m (2022: £565m), and cash and cash equivalents of £183m (2022: £132m).

Assets pledged as security include £122m (2022: £117m) of cash held in restricted access deposits.

Information regarding the credit risk exposure for financial assets held at fair value through other comprehensive income and amortised cost is provided below.

	Government debt securities £m	Corporate debt securities and secured loans £m	Deposits with credit institutions £m	Reinsurance contract assets £m	Restricted assets £m	Cash and cash equivalents £m
2023						
AAA	196	195	–	–	–	6
AA- to AA+	99	392	623	8	1	691
A- to A+	45	477	344	23	117	1,325
BBB- to BBB+	128	–	25	–	–	73
BB+ and below (below investment grade)	79	10	99	7	4	183
Total	547	1,074	1,091	38	122	2,278
Loss allowance ¹	(3)	(1)	(1)	–	–	–
Carrying amount	544	1,073	1,090	38	122	2,278

1. In addition to the loss allowance shown in the table above, a provision for expected credit losses on financial investments at FVOCI of £1m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans £m	Deposits with credit institutions £m	Reinsurance contract assets £m	Restricted assets £m	Cash and cash equivalents £m
2022						
AAA	173	186	–	–	1	2
AA- to AA+	107	361	631	4	–	402
A- to A+	44	580	521	11	116	810
BBB- to BBB+	99	4	3	–	–	57
BB+ and below (below investment grade)	67	25	76	6	2	132
Total	490	1,156	1,231	21	119	1,403
Loss allowance ¹	(2)	(1)	(1)	–	–	–
Carrying amount	488	1,155	1,230	21	119	1,403

1. In addition to the loss allowance shown in the table above, a provision for expected credit losses on financial investments at FVOCI of £1m has been recognised.

Information regarding the ageing and impairment of financial 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
2023						
Trade and other receivables gross value	351	135	57	56	115	714
ECL	(10)	(3)	(5)	(9)	(30)	(57)
Trade and other receivables net value¹	341	132	52	47	85	657

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	Not past due (restated) ² £m	0-3 months (restated) ² £m	3-6 months £m	6 months - 1 year £m	Greater than 1 year £m	Total carrying value £m
2022						
Trade and other receivables gross value	439	164	51	58	100	812
ECL	(6)	(5)	(4)	(6)	(17)	(38)
Trade and other receivables net value¹	433	159	47	52	83	774

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in Note 14.

2. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Information regarding the ECL allowance by class of financial assets 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		Restricted assets		Cash and cash equivalents	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2023														
At beginning of year	490	(3)	1,156	(1)	1,231	(1)	–	–	812	(38)	119	–	1,403	–
Recognition and settlement	67	–	(33)	–	(93)	–	–	–	(42)	(23)	3	–	948	–
Transfer to assets held for sale	(1)	–	(3)	–	–	–	–	–	(9)	2	–	–	2	–
Foreign exchange and other	(9)	–	(46)	–	(47)	–	–	–	(47)	2	–	–	(75)	–
At end of year	547	(3)	1,074	(1)	1,091	(1)	–	–	714	(57)	122	–	2,278	–

	Government debt securities		Corporate debt securities and secured loans		Deposits with credit institutions		Other loans		Trade and other receivables (restated) ^{1,2}		Restricted assets		Cash and cash equivalents	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2022														
At beginning of year	243	(4)	840	–	1,045	(1)	1	–	548	(29)	158	–	1,739	–
Recognition and settlement	222	1	278	(1)	129	–	(1)	–	223	(7)	(45)	–	(409)	–
Foreign exchange and other	25	–	38	–	57	–	–	–	41	(2)	6	–	73	–
At end of year	490	(3)	1,156	(1)	1,231	(1)	–	–	812	(38)	119	–	1,403	–

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in Note 14.

2. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

Offsetting financial assets and financial liabilities

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

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial liabilities set off in the Consolidated Statement of Financial Position	Net amounts of financial assets/ (liabilities) presented in the Consolidated Statement of Financial Position	Related amounts not set off in the Consolidated Statement of Financial Position		Net amount
	£m	£m	£m	Financial instruments	Cash collateral received	£m
2023						
Derivative financial assets	46	–	46	(35)	(4)	7
Derivative financial liabilities	(63)	–	(63)	35	31	3
Cash and cash equivalents	2,380	(102)	2,278	–	–	2,278
Total	2,363	(102)	2,261	–	27	2,288

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial liabilities set off in the Consolidated Statement of Financial Position	Net amounts of financial assets/ (liabilities) presented in the Consolidated Statement of Financial Position	Related amounts not set off in the Consolidated Statement of Financial Position		Net amount
	£m	£m	£m	Financial instruments	Cash collateral received	£m
2022						
Derivative financial assets	28	–	28	(27)	(1)	–
Derivative financial liabilities	(137)	–	(137)	27	81	(29)
Cash and cash equivalents	1,554	(151)	1,403	–	–	1,403
Total	1,445	(151)	1,294	–	80	1,374

The Group also mitigates credit risk in derivative contracts by entering into collateral agreements where appropriate. The amount of collateral received or posted is shown in the table above.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities where both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

25.6 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 insurance contract liabilities are predominantly backed by liquid assets, held locally, including cash held in bank accounts, deposits, liquidity funds and covered bonds so reducing the liquidity risk exposure relating to insurance contract liabilities.

The Group's main source of short-term funding is via a £900m revolving credit facility which had an initial maturity of December 2026 with two, one-year extension options. The facility was extended by the two, one-year extension options in November 2022 and November 2023 respectively. The maturity date for the facility is now December 2028. The facility was undrawn as at 31 December 2023 (2022: £70m drawn down).

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 2023 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 Board Risk Committee as well as adhering to liquidity parameters for the Group's regulated entities. Regular stress testing is conducted to assess liquidity risk.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

The contractual maturities of undiscounted financial liabilities and the expected maturities of insurance liabilities based on the present value of future cash flows and including estimated interest payments of the Group are as follows:

	Subordinated liabilities £m	Other interest- bearing liabilities £m	Lease liabilities £m	Insurance contract liabilities £m	Trade and other payables ¹ £m	Derivative liabilities £m	Total £m
As at 31 December 2023							
2024	(35)	(329)	(190)	(2,475)	(2,217)	(21)	(5,267)
2025	(34)	(56)	(166)	(65)	(5)	(8)	(334)
2026	(434)	(27)	(142)	(18)	(1)	–	(622)
2027	(14)	(325)	(128)	(4)	(2)	(34)	(507)
2028	(14)	(22)	(135)	(2)	(2)	–	(175)
2029-2033	(73)	(476)	(293)	(6)	–	–	(848)
After 2033	(372)	–	(252)	(38)	–	–	(662)
Total	(976)	(1,235)	(1,306)	(2,608)	(2,227)	(63)	(8,415)
Carrying value in the Consolidated Statement of Financial Position	(747)	(1,090)	(894)	(2,608)	(2,227)	(63)	(7,629)

	Subordinated liabilities £m	Other interest- bearing liabilities £m	Lease liabilities £m	Insurance contract liabilities (restated) ² £m	Trade and other payables (restated) ^{1, 2} £m	Derivative liabilities £m	Total (restated) ² £m
As at 31 December 2022							
2023	(297)	(83)	(177)	(2,248)	(2,128)	(73)	(5,006)
2024	(35)	(308)	(153)	(63)	(6)	(15)	(580)
2025	(34)	(5)	(131)	(18)	(1)	–	(189)
2026	(434)	(5)	(113)	(6)	(1)	–	(559)
2027	(14)	(303)	(103)	(2)	–	(49)	(471)
2028-2032	(73)	–	(331)	(6)	–	–	(410)
After 2032	(386)	–	(212)	(35)	–	–	(633)
Total	(1,273)	(704)	(1,220)	(2,378)	(2,136)	(137)	(7,848)
Carrying value in the Consolidated Statement of Financial Position	(998)	(648)	(926)	(2,378)	(2,136)	(137)	(7,223)

1. Comprises trade payables, other payables, occupational right agreement liabilities, refundable accommodation deposits, amounts owed to Parent and accruals detailed in Note 20.

2. Amounts have been restated for the adoption of IFRS 17. See Note 1.5.

Interest payments are included in the cash flows for subordinated liabilities other interest-bearing liabilities and lease liabilities.

Maturity profile of financial assets

The majority of reinsurance contract assets 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, other loans and equities £m	Pooled investment funds £m	Total £m
As at 31 December 2023						
2024	2,278	1,097	490	776	500	5,141
2025	–	19	52	142	–	213
2026	–	–	4	231	15	250
2027	–	–	19	77	–	96
2028	–	–	1	135	9	145
2029-2033	–	–	4	43	–	47
After 2033	–	–	11	18	–	29
Total	2,278	1,116	581	1,422	524	5,921

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

	Cash and cash equivalents	Deposits with credit institutions	Government debt securities	Corporate debt securities, other loans and equities	Pooled investment funds	Total
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
2023	1,403	1,190	448	892	436	4,369
2024	–	44	58	209	–	311
2025	–	–	6	154	–	160
2026	–	–	2	129	14	145
2027	–	–	3	44	–	47
2028-2032	–	–	3	54	9	66
After 2032	–	–	11	13	–	24
Total	1,403	1,234	531	1,495	459	5,122

26 Related party transactions

Related party transactions are transactions between the Group and individuals or entities related by nature of influence or control. The Group has such relationships with its key management personnel, equity-accounted investments and the Parent. 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 2023 (2022: £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:

	2023	2022
	£'000	£'000
Short-term employee benefits	5,302	3,777
Post-employment benefits	131	104
Total	5,433	3,881

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

(ii) Transactions with the Parent

	2023	2022
	£m	£m
Management charges paid	337	327
Expenses received	(15)	(13)
Dividends paid	134	89

27 Commitments and contingencies

A commitment is future expenditure that is committed to as at year end. These relate to contracted capital expenditure. Contingent liabilities are those that are considered possible at year end, whose existence will be determined by uncertain future events, or present obligations that are not sufficiently probable or cannot currently be measured with sufficient reliability to give rise to provisions.

(i) Capital commitments

Capital expenditure for the Group contracted as at 31 December 2023 but for which no provision has been made amounted to £42m (2022: £40m). Of this, £38m (2022: £40m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically £13m (2022: £21m) in relation to property, plant and equipment and £25m (2022: £19m) in relation to investment property. £4m (2022: £nil) relates to computer software projects commitments in Australia.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

(ii) Contingent assets

The Group currently has no contingent assets.

(iii) Contingent liabilities

The Group has contingent liabilities arising in the ordinary course of business. 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 other than the items below relating to Isapre Cruz Blanca could have a significant adverse impact on the financial condition of the Group.

The negative impact of judicial and regulatory action on the Isapre insurance industry in Chile continues as the method and implementation of the statutory Risk Factor Tables (used to adjust the price of insurance contracts based on risk factors such as age) following a Supreme Court decision of December 2022 remains unclear.

To date, several proposals have been put forward in attempt to make the industry sustainable and attractive enough to secure the required political support:

- The Chilean government proposed a draft law in May 2023, this did not receive the necessary political support and did not progress through the legislative process.
- Alongside the draft law, the Superintendent of Health (SIS), responsible for implementing the court ruling, shared a draft methodology to illustrate the application of the draft law.
- As part of the SIS report, the creation of a new Committee was recommended to advise Congress in issuing regulations that seek to maintain financial balance of the system and make it more efficient. The government set up this committee as the Technical Commission.
- On 10 October 2023, the Technical Commission published its report.
- The timing for implementation of the risk factor table ruling has been extended again from November 2023 to May 2024 and discussion of a revised draft law by the Senate started in November 2023.

Both draft laws and the Technical Commission report led to differing quantifications of the retrospective liabilities. The Technical Commission report proposed that these liabilities are funded over a period of 10 years, in healthcare benefits, rather than cash. These proposals were largely adopted into the revised draft law although the exact details of how this would operate are currently unclear.

The draft law is progressing through the legislative process, including approval by the Senate in January 2024, but is still subject to debate in Congress, the lower house of the Chilean parliament. Whilst the government remains committed to enacting legislation by the May 2024 deadline, there remains considerable scope for the proposals to be amended or rejected. If the law is enacted, the SIS must issue further guidance its implementation. Each Isapre will have to submit a plan for how remediation would be resolved which would then require regulatory approval prior to the final quantification of retrospective liabilities and agreement of settlement mechanisms.

Given the complexity of the remaining legislative steps, the potential for amendment to any retrospective amounts quantified based on the current draft law and the need for clarity regarding the specific settlement mechanisms of any retrospective amount, there remains continuing uncertainty. There are a wide range of possible outcomes and resultant future outflow of economic benefits and so it is not possible to reliably estimate the value of any such future retrospective payments, therefore, no IFRS provision has been recognised as at 31 December 2023.

This is consistent with the position reported in Chile. In December 2023, the SIS, as the local prudential regulator, released an instruction to the Isapre market stating that the regulator views any potential RFT retrospective payment an unquantifiable contingent liability under IAS 37 as of 31 December 2023 and instructed the Isapres to include only an explanatory disclosure note in their local financial statements.

There continues to be a broad range of possible outcomes, however, in contrast to the requirements of IFRS, under Solvency II the Group is required to include a value for contingent liabilities, even if the amount of the obligation cannot be measured with sufficient reliability. As at 31 December 2023, the Group included an allowance of £165m (HY 2023: £160m, FY 2022: £100m) for this contingent liability for retrospective payments within the Solvency II regulatory balance sheet. As previously stated, the final impact is likely to differ materially from this value and this is a calculation for Solvency II purposes and not a pre-estimate of all actual or potential losses relating to Isapre Cruz Blanca. Any retrospective payments finally determined to be due in respect of historic policies as a result of the Risk Factor Table ruling and subsequent legislation would be liabilities for Isapre Cruz Blanca.

(iv) 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2023

28 Entities in which the Group holds less than 100% equity interest

(i) Consolidation of entities in which the Group holds less than 50% equity interest

Eurocredit Investment Fund 1 plc

Eurocredit Investment Fund is a structured entity set up for the purpose of investing in primary and secondary secured loans. Bupa is the only investor in the issued debt of the entity and is exposed to the risks and rewards of the fund.

(ii) Non-controlling interests

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of equity or profit or loss.

Financial Statements of the Company

for the year ended 31 December 2023

Statement of Financial Position

as at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Property, plant and equipment	B	38	43
Investment in subsidiaries	C	4,337	4,046
Deferred taxation assets	D	1	7
Restricted assets	E	32	40
Derivative assets	F	36	5
Current taxation assets		35	–
Trade and other debtors	G	126	98
Cash and cash equivalents	H	486	14
Total assets		5,091	4,253
Liabilities			
Borrowings	I	(1,759)	(1,607)
Lease liabilities	J	(39)	(43)
Derivative liabilities	F	(55)	(115)
Provisions for liabilities and charges		(3)	(3)
Trade and other creditors	K	(599)	(1,073)
Total liabilities		(2,455)	(2,841)
Net assets		2,636	1,412
Equity			
Called-up share capital	L	200	200
Profit and loss account		2,139	915
Total attributable to ordinary shareholder		2,339	1,115
Restricted Tier 1 notes	M	297	297
Total equity		2,636	1,412

Approved by the Board of Directors and signed on its behalf on 6 March 2024 by

James Lenton

Director

Registered Number 2779134

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

Financial Statements of the Company

for the year ended 31 December 2023

Statement of Changes in Equity

For the year ended 31 December 2023

	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 2023	200	915	1,115	297	1,412
Comprehensive income for the year					
Profit for the year	–	1,368	1,368	–	1,368
Total comprehensive income for the year	–	1,368	1,368	–	1,368
Transactions with shareholder, recorded directly in equity					
Dividends	–	(134)	(134)	–	(134)
Total distributions to shareholder	–	(134)	(134)	–	(134)
Payment of Restricted Tier 1 coupon, net of taxation	–	(10)	(10)	–	(10)
Balance as at 31 December 2023	200	2,139	2,339	297	2,636

	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 2022	200	155	355	297	652
Comprehensive income for the year					
Profit for the year	–	859	859	–	859
Total comprehensive income for the year	–	859	859	–	859
Transactions with shareholder, recorded directly in equity					
Dividends	–	(89)	(89)	–	(89)
Total distributions to shareholder	–	(89)	(89)	–	(89)
Payment of Restricted Tier 1 coupon, net of taxation	–	(10)	(10)	–	(10)
Balance as at 31 December 2022	200	915	1,115	297	1,412

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

Financial Statements of the Company

for the year ended 31 December 2023

1.1 Basis of preparation

Bupa Finance plc (the 'Company'), a company incorporated in England and Wales and domiciled in the United Kingdom, 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').

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 (UK-adopted international accounting standards) 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; and
- 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 in the preparation of the Company financial statements. 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

The Company has consistently applied its accounting policies to all periods presented in these financial statements.

(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 date of 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 also 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 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 reporting date. Non-monetary items 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.

Exchange differences are recognised in the profit and loss account in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

Financial Statements of the Company

for the year ended 31 December 2023

(e) Financial income and expenses

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 financial assets 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 derecognition of these assets, the cumulative unrealised gain or loss is reversed and a realised gain or loss is recognised.

Financial expense includes interest payable on borrowings, calculated using the effective interest method, and other financial expenses.

(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 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 held at historical cost less accumulated depreciation and recognised impairment losses. Depreciation is charged to the profit and loss account on a straight-line basis to allocate cost less residual value over the estimated useful life, as follows:

- | | |
|--------------------------|--------------------------------------|
| • Right-of-use property | lease term |
| • Leasehold improvements | shorter of useful life or lease term |
| • Owned equipment | 3 to 10 years |

No depreciation is charged on assets under construction. Useful lives, depreciation method and residual values are reviewed at each reporting date.

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. Assets classified as under construction are also reviewed for impairment at each reporting date.

(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 the profit and loss account 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 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 reassessment of an extension or termination option. The leases currently held by the Company do not contain any extension or termination options.

Financial Statements of the Company for the year ended 31 December 2023

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, contractually required 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 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 or less). 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 the profit and loss account 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) 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.

(l) Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit or loss. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. 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. Fair value of currency contracts, including forwards, swaps and options is determined using third party sourced market data at the reporting date. The resulting value reflects changes in spot exchange rates and interest differential between the currency pair involved, over the life of the contract, 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.

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 the profit and loss account.

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 the profit and loss account. 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 the profit and loss account (even if those gains would normally be recognised directly in equity).

Financial Statements of the Company

for the year ended 31 December 2023

(m) Trade and other debtors

Amounts owed by subsidiaries

Amounts are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, net of provision for expected credit loss (ECL).

The ECL is measured at an amount equal to the 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 are then used to establish the ECL provision for each category.

Other trade and other debtors

This predominantly relates to pledges of cash collateral in respect of certain derivative contracts. Collateral pledged in the form of cash is recognised and subsequently measured at fair value.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and 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.

(o) 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.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are held at amortised cost using the effective interest method.

(q) Restricted Tier 1 (RT1) debt

The RT1 notes meet the classification of equity and are presented as a separate category of equity in the Statement of Financial Position 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 taxation, upon payment.

(r) 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.

(s) 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 reporting date, and any adjustment to taxation payable in respect of previous years.

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 provided for: the initial recognition of goodwill; 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 accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. 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 reporting 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.

(t) 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. If the effect is material, provisions are determined by discounting the estimated future payments at a pre-taxation rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Financial Statements of the Company for the year ended 31 December 2023

Profit attributable to the Company

The profit within the financial statements of the Company is £1,368m (2022: profit of £859m). 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.

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for the year ended 31 December 2023

Notes to the Financial Statements

A. Directors and employees

The Company employed no employees during 2023 (2022: nil) and had four Directors as at 31 December 2023 (2022: four). During the year four individuals served as Directors (2022: six). 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

	2023				2022			
	Right-of-use asset property	Leasehold improvements	Owned equipment	Total	Right-of-use asset property	Leasehold improvements	Owned equipment	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
At beginning of year	48	9	1	58	32	9	1	42
Additions	–	–	–	–	16	–	–	16
At end of year	48	9	1	58	48	9	1	58
Depreciation and impairment loss								
At beginning of year	11	4	–	15	7	3	–	10
Depreciation charge for year	4	1	–	5	4	1	–	5
At end of year	15	5	–	20	11	4	–	15
Net book value at end of year	33	4	1	38	37	5	1	43
Net book value at beginning of year	37	5	1	43	25	6	1	32

C. Investment in subsidiaries

	At beginning of year	Impairment loss	Reversal of impairment losses	Additions	Disposals	Redemptions/Repayments	Foreign exchange revaluation	At end of year
	£m	£m	£m	£m	£m	£m	£m	£m
2023								
Group Undertakings:								
Shares in subsidiary undertakings	5,663	–	–	402	–	–	(115)	5,950
Loans to Group companies	75	–	–	4	–	–	–	79
	5,738	–	–	406	–	–	(115)	6,029
Provision for impairment	(1,692)	–	–	–	–	–	–	(1,692)
Net book value	4,046	–	–	406	–	–	(115)	4,337
2022								
Group Undertakings:								
Shares in subsidiary undertakings	5,588	–	–	1	(36)	–	110	5,663
Loans to Group companies	187	–	–	5	–	(117)	–	75
	5,775	–	–	6	(36)	(117)	110	5,738
Provision for impairment	(814)	(1,059)	145	–	36	–	–	(1,692)
Net book value	4,961	(1,059)	145	6	–	(117)	110	4,046

Financial Statements of the Company

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Additions in the year of £402m relate to capital injections to existing subsidiaries. Loans to Group companies comprise loan facilities of a fixed amount and a long-term maturity date, with the movements in the year driven principally by capitalised interest during the year.

In 2022, a £752m impairment was recognised in relation to the Company's shareholding in The Oasis Healthcare Group Limited, and an additional provision of £307m recognised in relation to the Company's shareholding in Bupa Care Homes (Holdings) Limited. This was partially offset by the reversal of provisions of £82m and £63m in respect of Bupa Care Homes (CFG) plc and Cromwell Health Group Limited respectively.

The subsidiary undertakings of the Company as at 31 December 2023 are listed in Note P.

D. Deferred taxation assets

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. Deferred taxation assets relating to provisions and unused taxation losses are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred taxation assets are attributable to the following:

	2023 £m	2022 £m
Provisions	1	1
Taxation value of losses carried forward	–	6
Deferred taxation assets	1	7

Unrecognised deferred taxation assets

As at 31 December 2023, the Company had deductible temporary differences relating to trading losses of £7m (2022: £7m) and to capital losses of £26m (2022: £nil) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Movement in net deferred taxation assets:

	At beginning of year £m	Recognised in Income Statement £m	At end of year £m
2023			
Provisions	1	–	1
Taxation value of losses carried forward	6	(6)	–
Total	7	(6)	1

E. Restricted assets

	2023 £m	2022 £m
Restricted assets	32	40

The restricted assets balance of £32m (2022: £40m) consists of cash deposits held to secure a charge over the unfunded pension scheme obligations held in the Parent.

F. 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, 2027 £300m and 2030 €500m unsecured bonds issued by the Company.

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

Financial Statements of the Company

for the year ended 31 December 2023

	2023 £m	2022 £m
Derivative assets		
Non-current	18	2
Current	18	3
Total derivative assets	36	5
Derivative liabilities		
Non-current	(42)	(64)
Current	(13)	(51)
Total derivative liabilities	(55)	(115)

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.

G. Trade and other debtors

	2023 £m	2022 £m
Amounts owed by subsidiaries	93	23
Other trade and other debtors	33	75
Total trade and other debtors	126	98

All balances are current.

H. Cash and cash equivalents

	2023 £m	2022 £m
Short-term deposits	486	14
Cash and cash equivalents	486	14

I. Borrowings

	Note	2023 £m	2022 £m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	747	998
Total subordinated liabilities		747	998
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	1,012	540
Bank loans	(c)	–	69
Total other interest-bearing liabilities		1,012	609
Total borrowings		1,759	1,607
Non-current		1,459	1,286
Current		300	321

a) Subordinated unguaranteed bonds

The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts, was £747m (2022: £998m).

On 25 April 2023, the Company redeemed the outstanding maturing £250m of the £500m 5.000% fixed rate subordinated bonds.

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.

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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 5.000% 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 2023 or 2022.

b) Senior unsecured bonds

The total senior unsecured bonds balance of £1,012m (2022: £540m) 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 12 October 2023, the Company issued €500m of senior unsecured bonds, guaranteed by the Parent, which mature on 12 Oct 2030. The bonds bear interest on their outstanding principal amount at a fixed rate of 5.00% per annum. The total hedged fair value of these bonds, including accrued interest, capitalised issue costs and discounts, is £447m. The change in value arising from interest rate risk is matched, subject to any hedge ineffectiveness, by the fair value of swap contracts in place to hedge this risk.

On 25 June 2020, the Company issued £300m of senior unsecured bonds, guaranteed by the Parent, 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 £268m (2022: £252m). The valuation adjustment is the change in value arising from interest rate risk, which is matched subject to any hedge ineffectiveness, 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 2.000% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £299m (2022: £288m). The change in value arising from interest rate risk is matched, subject to any hedge ineffectiveness, by the fair value of swap contracts in place to hedge this risk.

See Note 25.4 for details on the Group's interest rate hedging activities.

c) Bank loans

Bank loans of £nil (2022: £69m) include drawings of £nil (2022: £70m drawn down) under a £900m revolving credit facility which had an initial maturity of December 2026 with two, one-year extension options. The facility was extended by the two, one-year extension options in November 2022 and November 2023 respectively. The maturity date for the facility is now December 2028. The facility was not drawn down at 31 December 2023 (2022: £70m drawn down).

Drawings under the £900m facility are guaranteed by the Company and 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 SONIA for sterling or equivalent for other currencies.

J. Lease Liabilities

	2023	2022
	£m	£m
At the beginning of the year	44	30
Additions	—	14
Interest on lease liabilities	1	1
Repayments	(6)	(2)
At end of year	39	43
Non-current	34	38
Current	5	5

K. Trade and other creditors

	2023	2022
	£m	£m
Amounts owed to subsidiaries	588	1,070
Other creditors	11	3
Total trade and other creditors	599	1,073

All balances are current.

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for the year ended 31 December 2023

L. Called-up share capital

	2023	2022
	£m	£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 Statement of Financial Position 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.

	2023	2022
	£m	£m
Restricted Tier 1 notes	297	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 £12m (2022: £12m).

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.

N. Commitments, guarantees and contingencies

Guarantees

As at 31 December 2023, 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 not drawn down at 31 December 2023 (2022: £70m drawn down).

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.

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.

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 was obliged to make between 31 December 2022 and 31 December 2023 to The Bupa Pension Scheme.

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 consolidated financial statements of The British United Provident Association Limited can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

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for the year ended 31 December 2023

P. Related Undertakings

In compliance with Section 409 of the Companies Act 2006, disclosed below is a list of the Company's related undertakings as at 31 December 2023, 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 of that class represented by those.

See Notes 1.2 and 6 for further information on basis of consolidation and accounting policies.

Subsidiaries

Unless otherwise stated, the subsidiaries listed below are wholly owned indirectly by the Company with 100% of the nominal value of each share class held by Group subsidiaries. Where a subsidiary is not wholly owned, the proportion of the nominal value of each share class held by the Company or the Group, together with the Group's effective ownership, calculated by reference to the voting rights, is shown below. All subsidiaries are included in the Group consolidation.

Name	Share class	Proportion of class held (%)	Effective % ownership
Australia			
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia			
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 Class 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 Pty Ltd	AUD Ordinary		
Bupa Foundation (Australia) Limited	Guarantee Member Interest		
Bupa Health Centres Pty Ltd	AUD Ordinary		
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 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 Corporation Holdings Pty Ltd	AUD Ordinary		
Dental Corporation Pty Ltd	AUD Ordinary		
Bahrain			
Office 814, Building 2420, Road 2831, Block 428, Seef, Bahrain			
Bupa Middle East Holdings Two W.L.L.	BHD50.00 Ordinary	75.00	75.00
Bolivia			
Calacoto Calle 9 esq, Avda. Sanchez Bustamante, N7979, Edificio Vitruvio II, Piso 3. La Paz, Bolivia			
Bupa Insurance (Bolivia) S.A	BOB100.00 Ordinary		

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Name	Share class	Proportion of class held (%)	Effective % ownership
Brazil			
Alameda Mamoré, No. 678, 11th Floor, Room 1104, Alphaville, 06454-040, Barueri, São Paulo, Brazil			
Care Plus Negócios Em Saúde Ltda.	BRL1.00 Quotas		
Alameda Mamoré, No. 687, 12th Floor, Rooms 1201, 1202, 1203 and 1204, Alphaville, 06454-040, 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		
Av. Vereador José Diniz, nº 3 300, 18º andar, Campo Belo, São Paulo, SP, CEP 04604-006, Brazil			
Instituto de Previdencia e Assistencia Odontológica Ltda.	BRL378.00 Ordinary		
Avenida Portugal, nº 307, Brooklin, CEP 04559-000, São Paulo - SP, Brazil			
Vacinar Centro de Imunização Ltda.	BRL1.00 Ordinary		
Chile			
Anabaena N° 336, Comuna Viña del Mar, Region Valparaíso, Chile			
Clinica Renaca S.A.	CLP Ordinary	100.00	95.88
Desarrollo E Inversiones Medicas S.A.	CLP Ordinary	97.56	93.45
Promotora De Salud S.A.	CLP Ordinary	67.03	67.03
Sociedad Medica Imogeneologia Clinica Renaca Limitada	CLP Social Rights	80.00	76.70
Av. Matta No 1868, Comuna Antofagasta, Region Antofagasta, Chile			
Sociedad Medico Quirurgica De Antofagasta S.A. ¹	CLP Ordinary	100.00	72.98
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		
Examenes De Laboratorio S.A.	CLP Ordinary	100.00	99.99
Grupo Bupa Sanitas Chile Uno, SpA	CLP1,000.00 Ordinary		
Inversiones Clinicas CBS S.A.	CLP Ordinary		
Isapre Cruz Blanca S.A.	CLP Ordinary	99.79	99.41
Cerro Colorado N° 5240, Piso 6, Comuna Las Condes, Region Metropolitana, Chile			
Bupa Servicios de Salud SpA ¹	CLP Ordinary	100.00	99.99
Integramedica S.A.	CLP Ordinary	99.99	99.99
Recaumed S.A. ¹	CLP Ordinary	58.40	58.40
Sonorad II S.A. ¹	CLP Ordinary	100.00	99.89
Dr. Juan Noe N° 1370, Comuna Arica, Region Arica y Parinacota, Chile			
Corporacion Medica de Arica S.A.	CLP Ordinary	68.97	68.97
Sociedad De Inversiones Pacasbra S.A.	CLP Ordinary	100.00	69.19
Manuel Antonio Matta N° 1868, Comuna Antofagasta, Region Antofagasta, Chile			
Inmobiliaria Centro Medico Antofagasta S.A.	CLP Ordinary	99.99	88.94
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile			
Centro Medico Antofagasta S.A.	CLP Ordinary	100.00	88.95
Inversiones Clinicas Pukara S.A.	CLP Ordinary	88.95	88.95
Servicios Y Abastecimiento A Clinicas S.A.	CLP Ordinary	100.00	88.92

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Name	Share class	Proportion of class held (%)	Effective % ownership
Chile (continued)			
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	68.98
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		
Denmark			
Axeltorv 2, 1609, Copenhagen V, Denmark			
Bupa Denmark Services A/S ²	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 ³	USD1.00 Capital Stock		
Egypt			
Building 55, Street 18, Maadi, Cairo, Egypt			
Bupa Egypt Insurance S.A.E. ⁴	EGP10.00 Ordinary		
Mivida Business Park, Building 3/B1, 5th Settlement, New Cairo, 11835, Egypt			
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. ⁵	GTQ1.00 Ordinary		
Guernsey			
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey			
Bupa Holdings (Guernsey) Limited	£1.00 Ordinary		
UK Care No. 1 Limited	£1.00 Ordinary		
Hong Kong			
6/F & Unit Nos. 701B, 702-704 of Tower 2, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong			
Bupa (Asia) Limited	HKD10.00 Ordinary		
Bupa International Limited ⁶	HKD Ordinary		
Bupa Limited	HKD1.00 Ordinary		
Horizon Health and Care Limited	HKD Ordinary		
6/F, and Unit Nos. 701-702 and 704, Tower 1, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong			
Allied Medical Practices Guild Limited	HKD1.00 Ordinary		
Alpha Medical MRI (TST) Limited	HKD10,000.00 Ordinary		
Central Medical Diagnostic Centre Limited	HKD1.00 Ordinary	74.49	74.49
Central MRI Centre Limited	HKD1.00 Ordinary	100.00	74.49
Central PET/CT Scan Centre Limited	HKD1.00 Ordinary	100.00	74.49
Eplushealth Limited	HKD1.00 Ordinary		
Quality Healthcare Chinese Medicine Services Limited	HKD1.00 Ordinary		
Quality HealthCare Dental Services Limited	HKD1.00 Ordinary		
Quality Healthcare Group Limited	HKD1.00 Ordinary		

Financial Statements of the Company

for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
Hong Kong (continued)			
Quality HealthCare Medical Centre Limited	HKD100.00 Ordinary		
Quality Healthcare Medical Diagnostic & Imaging Services Limited	HKD1.00 Ordinary		
Quality HealthCare Medical Services Limited	HKD1.00 Ordinary		
Quality HealthCare Nursing Agency Limited	HKD10.00 Ordinary		
Quality HealthCare Physiotherapy Services Limited	HKD1.00 Ordinary		
Quality HealthCare Professional Services Limited	HKD1.00 Ordinary		
Quality Healthcare TPA Services Limited	HKD1.00 Ordinary		
Ireland			
Second Floor, 10 Pembroke Place, Ballsbridge, Dublin, 4, Ireland			
Bupa Global Designated Activity Company	€1.00 Ordinary		
St Martins House, Waterloo Road, Ballsbridge, Dublin, Ireland, D04 V6V4, Ireland			
Oasis Healthcare Holdings Ireland Limited	€1.00 Ordinary		
Xeon Dental Services Limited	€0.01 Ordinary		
Macao			
Rua De Xangai No. 175 Edif., Associacao Comercial De Macau, 11 Andar, K, Macau			
Quality EAP (Macao) Limited	MOP1.00 Ordinary		
Quality Healthcare Medical Services (Macao) Limited	MOP1.00 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		
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)		
Avenida Ejercito Nacional Numero 843-B, Edificio Corporativo Antara I, Piso 9, Colonia Granada, Alcaldia Miguel Hidalgo, C.P. 11520, Mexico			
Bupa Mexico, Compania de Seguros, S.A. de C.V.	MXN1,000.00 Series A (fixed), MXN1,000.00 Series B (variable)		
Bupa Servicios de Evaluacion Medica, S. de R.L. de C.V. ⁷	MXN Ordinary, MXN Ordinary (Variable)		
Bupa Servicios Dentales, S.A. de C.V.	MXN10.00 Ordinary		
Bupa Servicios Globales, S. de R.L de C.V.	MXN1.00 Ordinary		
Prolongacion Paseo de la Reforma No. 9, Paseo de las Lomas, Alvaro Obregon, C.P. 01330, Mexico City, Mexico			
Promotora de Hospitales y Servicios Integrales, S.A.P.I. de C.V.	MXN Fixed Capital Class I, MXN Variable Capital Class II		
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		
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		

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Name	Share class	Proportion of class held (%)	Effective % ownership
Peru			
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru			
Anglolab S.A	PEN Ordinary-A	100.00	85.00
	PEN Ordinary-B		
Integramedica Peru S.A.C.	PEN Ordinary		
MediPerú S.A.	PEN Ordinary	99.97	99.97
Poland			
Al. Tadeusza Rejtana 20A, 35-310 Rzeszów, Poland			
Stomatologia Aleksander Makara Spolka Z Ograniczona Odpowiedzialnoscia	PLN100.00 Ordinary		
Czapliniecka 93/95, 97-400, Belchatow, Poland			
Megamed Sp. z o.o.	PLN1,000.00 Ordinary		
Goszczyńskiego 1 Street, 02-616, Warsaw, Poland			
Hifu Clinic Sp. z o.o.	PLN50.00 Ordinary	70.16	70.16
Szpital Sw. Elzbiety 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, Warsaw, Poland			
"Centrum Medyczne Mavit" Sp. z o.o.	PLN100.00 Ordinary		
Pory 78 Street, 02-757, Warsaw, Poland			
"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, PLN1.00 Ordinary-K, PLN1.00 Ordinary-L		
Pory 78 Sp. z o.o.	PLN100.00 Ordinary		
Pulawska 48, 05-500 Piaseczno, Poland			
Silver Dental Clinic Sp. z o.o.	PLN50.00 Ordinary		
Rowninna 6 Street, 87-100, Torun, Poland			
Citomed Nieruchomosci Sp. z o.o.	PLN100.00 Ordinary		
Szamocka 6 Street, 01-748, Warsaw, Poland			
LUX MED Onkologia Sp. z o.o.	PLN50.00 Ordinary		
ul. Byslawska 84, 04-993 , Warszawa, Polska			
Centrum Edukacji Medycznej Sp. z o.o.	PLN100.00 Ordinary		
ul. Dluga 43, 05-510 Konstancin-Jeziorna, Polska			
LUX MED Tabita Sp. z o.o.	PLN100.00 Ordinary	88.00	88.00
ul. Elblaska 135, 80-718, Gdansk, Poland			
"Centrum Opieki Medycznej Comed" Sp. z o.o.	PLN500.00 Ordinary		

Financial Statements of the Company

for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
Poland (continued)			
ul. Franciszka Rakoczego 19 lok. U5, 80-286 Gdansk, Polska			
Mediss Dental Clinic Sp. z o.o.	PLN250.00 Ordinary		
ul. Kamienna 21, 31-403 Krakow, Polska			
Medtour Sp. z o.o.	PLN50.00 Ordinary		
ul. Kuznicka 1, 72-010 Police, Polska			
"Medika" Usługi Medyczne Spolka Z Ograniczona Odpowiedzialnoscia	PLN50.00 Ordinary		
ul. Marszalkowska 55/73 lok. 42, 00-676, Warszawa, Polska			
LUX MED Benefity Sp. z o.o.	PLN100.00 Ordinary		
ul. Obornicka 262, 60-693 Poznan, Polska			
Fundacja MedPolonia	Founder Contribution		
Med-Polonia Sp. z o.o.	PLN50.00 Ordinary		
Ul. Porcelanowa 23, 40-246, Katowice, Poland			
4DENT Sp. z o.o.	PLN100.00 Ordinary		
ul. Postepu 21 C , 02-676, Warszawa, Polska			
"Fundacja LUX MED Im. Dr Joanny Perkowicz"	Founder Contribution		
Elblaska Sp. z o.o.	PLN50.00 Ordinary		
LUX MED Sp. z o.o.	PLN500.00 Ordinary		
LUX-MED Investment S.A.	PLN50.00 Series A, PLN50.00 Series B, PLN50.00 Series C, PLN50.00 Series D		
ul. Stefana Batorego 17/19, 87-100 Torun, Poland			
Tomograf Sp. z o.o.	PLN500.00 Ordinary		
ul. Wiejska 17/7 Street, 00-480, Warsaw, Poland			
ApteGo Sp. z o.o.	PLN50.00 Ordinary	51.00	51.00
ul. Wroclawska 2A, 52-229 Komorowice, Polska			
Orthos Szpital Wielospecjalistyczny Spolka Z Ograniczona Odpowiedzialnoscia	PLN500.00 Ordinary		
Wileńska, 44 Street, 80-215, Gdańsk			
Swissmed Centrum Zdrowia S.A.	PLN10.00 Ordinary		
Swissmed Nieruchomosci Sp. z o.o.	PLN500.00 Ordinary		
Swissmed Opieka Sp. z o.o.	PLN1,000.00 Ordinary		
Saint Kitts and Nevis			
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis			
Amedex Services Ltd. (St Kitts)	US\$1.00 Capital Stock		
Singapore			
600, North Bridge Road, #05-01 Parkview Square, 188778, Singapore			
Bupa Singapore Holdings Pte Ltd	SGD Ordinary		
Spain			
Avda Marcelo Celayeta, 144 - Pamplona (31014), Spain			
Sanitas Mayores Navarra S.L.	€60.10 Ordinary		

Financial Statements of the Company

for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
Spain (continued)			
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		
Fundacion Sanitas ⁸	€1.00 Contribution	100.00	99.92
Fundacion Sanitas Hospitales Para el Desarrollo de la Investigacion y la Innovacion Medica	Founder Contribution		
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.A. de Seguros	€0.68 Ordinary	99.92	99.92
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		
Türkiye			
Cevizli Mah. Tugay Yolu Cad. No: 69A, Maltepe, Istanbul, 34846, Türkiye			
Bupa Turkey Sağlık Hizmetleri A.S.	TRY1,000.00 Ordinary		
Sencard Dis Klinigi AS	TRY100,000.00 Ordinary		
Küçükbakkalköy Mah. Basar Sok, No: 20 Atasehir, Istanbul, 34750, Türkiye			
Bupa Acibadem Sigorta A.S.	TRY1.00 Ordinary		
Piazza Ofis, Cevizli Mah. Tugay Yolu Cad. No: 69A, İç Kapı No: 52 Maltepe, Istanbul, Türkiye			
Sencard Direkt Satış Sigorta Aracılığı 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 ²	£0.01 Ordinary		
ANS Limited	£0.10 Ordinary		
Bede Village Management Limited	£1.00 Ordinary		
Bridge Health Investments Limited ²	£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 (BNH) Limited	£1.00 Ordinary		
Bupa Care Homes (BNHP) Limited	£1.00 Ordinary		
Bupa Care Homes (CFCHomes) Limited	£1.00 Ordinary		
Bupa Care Homes (CFG) Limited ²	£0.25 Ordinary		
Bupa Care Homes (CFHCare) Limited	€0.000001 Redeemable Preference, £1.00 Ordinary		

Financial Statements of the Company

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Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom (continued)			
Bupa Care Homes (Developments) Limited	£1.00 Ordinary		
Bupa Care Homes (GL) Limited	£1.00 Ordinary		
Bupa Care Homes (HH Bradford) Limited	£1.00 Ordinary		
Bupa Care Homes (HH Hull) Limited	£1.00 Ordinary		
Bupa Care Homes (HH Leeds) Limited	£1.00 Ordinary		
Bupa Care Homes (HH Northumberland) Limited	£1.00 Ordinary		
Bupa Care Homes (HH Scunthorpe) Limited	£1.00 Ordinary		
Bupa Care Homes (HH) Limited	£1.00 Ordinary		
Bupa Care Homes (Holdings) Limited ²	£1.00 Ordinary		
Bupa Care Homes (Partnerships) Limited	£1.00 Ordinary		
Bupa Care Homes (PT Lindsay) Limited	£1.00 Ordinary		
Bupa Care Homes (PT Links) Limited	£1.00 Ordinary		
Bupa Care Homes Investments (Holdings) Limited ²	£1.00 Ordinary		
Bupa Care Services (Commissioning) Limited	£1.00 Ordinary		
Bupa Care Services Limited ²	£0.20 Ordinary		
Bupa Foundation	Guarantee Member Interest		
Bupa Global Holdings Limited	€1.00 Ordinary, €0.01 Ordinary, £1.00 Ordinary		
Bupa Healthcare Services Limited ²	£1.00 Ordinary		
Bupa Home Healthcare Pension Scheme Trustee Limited ²	£1.00 Ordinary		
Bupa Insurance Limited ²	£1.00 Ordinary		
Bupa Insurance Services Limited ²	£1.00 Ordinary		
Bupa International Markets Limited	£1.00 Ordinary		
Bupa Investments Limited ²	£1.00 Ordinary		
Bupa Investments Overseas Limited ²	AUD 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 ²	£1.00 Ordinary		
Bupa Secretaries Limited	£1.00 Ordinary		
Bupa Trustees Limited	£1.00 Ordinary		
Cromwell Hospital Retirement Plan Trustee Limited ²	£1.00 Ordinary		
Occupational Health Care Limited	£1.00 Ordinary, £1.00 Redeemable Preference		
Richmond Care Villages (Property) Limited	£1.00 Ordinary		
Richmond Care Villages Holdings Limited ²	£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		
13 Queens Road, Aberdeen, Aberdeenshire, AB15 4YL, United Kingdom			
Hillington Park Dental Practice Limited	£1.00 Ordinary		
MFM Community Limited	£1.00 Ordinary		

Financial Statements of the Company
for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom (continued)			
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		
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 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		
Eurodonic Limited	£1.00 Ordinary		
Fairfield Dental Surgery Limited	£1.00 Ordinary		
Freshdental Practice Limited	£1.00 Ordinary		
Future Drilling Limited	£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		

Financial Statements of the Company
for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom (continued)			
Hospital Lane Dental Clinic Limited	£1.00 Ordinary		
Iosis Clinic Limited	£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 Limited	£1.00 Ordinary		
Mainstream Dental Care Limited	£1.00 Ordinary		
Mark Fazakerley (VHO) Limited	£1.00 Ordinary		
MCM (Dental Services) 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		
Oasis Dental Care (Central) Limited	£1.00 Ordinary		
Oasis Dental Care (Southern) Holdings Limited	£0.10 Ordinary-A		
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		

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Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom (continued)			
The Adams and Lee Dental Practice Ltd	£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 ²	£1.00 Ordinary		
The Spire Halifax Limited	£1.00 Ordinary		
The Tutbury Dental Practice 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		
Wylde Valley Dentistry Limited	£1.00 Ordinary		
Xeon Smiles UK Limited	£1.00 Ordinary		
Cromwell Hospital, Cromwell Road, London, SW5 0TU			
Cromwell Health Group Limited ²	£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		
Pinsent Masons Llp, 13 Queens Road, Aberdeen, AB15 4YL, United Kingdom			
Martin and Martin Dental Care Limited	£1.00 Ordinary		
Partick Dental Ltd.	£0.01 Ordinary		
United States			
18001 Old Cutler Road , Suite 300 Palmetto Bay , Florida 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. In dissolution, pending deregistration
2. Held directly by the Company
3. 0.000015% held by nominee
4. 0.017% held by the Company
5. 1% held directly by the Company
6. 0.000001% held directly by the Company's parent
7. 0.03% held directly by the Company
8. The Sanitas Foundation

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Other related undertakings

The related undertakings listed below comprise joint ventures, associated undertakings and other significant holdings. Unless otherwise stated, the proportion of the nominal value of each share class held indirectly by the Company is shown below, together with the Group's effective ownership, calculated by reference to the voting rights. All joint ventures are included in the Group consolidation using the equity method.

Name	Share class	Proportion of class held (%)	Effective % ownership
Australia			
International Tower 3' Level 18, 300 Barangaroo Ave, Sydney NSW 2000, Australia			
George Health Enterprises Pty Limited	AUD Ordinary	21.15	21.15
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia			
Mobile Dental Pty Ltd	AUD Ordinary	49.00	49.00
Chile			
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile			
Sociedad Instituto De Cardiologia Del Norte Limitada	CLP Social Rights	50.00	44.47
Pedro Aguirre Piso 5, Cerda N° 843, Comuna Arica, Region Arica y Parinacota, Chile			
Centro De Imagenes Medicas Avanzadas San Jose S.A.	CLP Ordinary	70.00	48.28
India			
C-98 Lajpat Nagar, Part 1, New Delhi, 11002, India			
Niva Bupa Health Insurance Company Limited ¹	INR10.00 Ordinary	41.41	41.41
Poland			
Tytusa Chalubinskiego 8 Street, 00-613, Warsaw, Poland			
Centrum Edukacyjne Medycyny Sportowej Sp. z o.o.	PLN50.00 Ordinary	50.00	50.00
Saudi Arabia			
7764 Prince Sultan St, Al Mohammediyah Dist., PO Box 260, Jeddah, 21411, Saudi Arabia			
My Clinic Global Medical Company	SAR100.00 Ordinary	100.00	50.00
My Clinic International Medical Company Limited	SAR100.00 Ordinary	100.00	50.00
Nazer Bupa Medical Equipment Company Limited	SAR1,000.00 Ordinary	50.00	50.00
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	43.25
Bupa Arabia For Third Party Administration	SAR1,000.00 Ordinary	100.00	43.25
Health Horizon Medical Care	SAR100.00 Ordinary	100.00	43.25
United Kingdom			
1 Angel Court, London, EC2R 7HJ, United Kingdom			
Fulford Grange Medical Centre Limited	£1.00 'A' Ordinary	100.00	50.00
4th Floor, 167 Fleet Street, London, EC4A 2EA, United Kingdom			
Healthbox Europe 1 LP	£1.00 Partnership Capital	37.04	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	20.00
	£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	100.00	38.90
	£1.00 Ordinary	17.91	

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for the year ended 31 December 2023

Name	Share class	Proportion of class held (%)	Effective % ownership
United States			
745 Fort St, Ste 1100, Honolulu HI 96813, United States			
HTH Re, Ltd	US\$1.00 Ordinary	100.00	49.00
933 First Avenue, King of Prussia PA 19406, United States			
Highway to Health, Inc	US\$0.01 Ordinary	49.00	49.00
HTH Worldwide, LLC	US\$1.00 Ordinary	100.00	49.00
Worldwide Insurance Services, LLC	US\$1.00 Ordinary	100.00	49.00

1. Part held by nominees and see Note 1.8 for the Group's shareholding post year end date.
2. Held directly by the Company