Bupa Insurance Limited

Annual Report and Accounts
for the financial year ended

31 December 2016

Registered Office:

Bupa House
15 – 19 Bloomsbury Way
London
WC1A 2BA

Registered number: 3956433

Contents

Strategic Report

for the financial year ended 31 December 2016

The Directors present their annual report and the financial statements of Bupa Insurance Limited (the "Company") for the financial year ended 31 December 2016.

Principal activities

The Company is the UK's largest health insurer and a leading provider of international health insurance providing medical cover to 2.9m customers worldwide.

It is wholly owned by the Bupa Group, an international customer focused health and care group employing 86,000 people, providing health insurance and running clinics, dental centres, hospitals, care homes and retirement villages in a number of countries. Bupa's purpose is to help people live longer, healthier, happier lives. Bupa's status, as a company limited by guarantee with no shareholders, enables us to make our customers our absolute focus, reinvesting our profits to provide more and better healthcare for current and future customers.

The Company is wholly driven by Bupa's purpose, it provides personal, corporate and small to medium enterprise (SME) health insurance, as well as inward reinsurance and a small number of ancillary health insurance products, such as cash plans and travel insurance.

The Company has two main segments domestic health insurance predominantly in the UK market; and international private medical insurance (IPMI) provided for individual consumers and employees requiring cover outside of their usual country of residence.

The principal operations take place in the UK, with further operations sited in Denmark, Cyprus, Malta and Switzerland. The Company reinsures part of its IPMI book of business with Bupa Insurance Company, a fellow group company. Operational services, including the provision of insurance mediation and administrative services, are provided by Bupa Insurance Services Limited.

Key performance indicators

	2016 £'000	2015 £'000
Net premiums earned	**2,276,667**	**2,166,765**
Profit before taxation	**133,503**	**180,922**
Loss ratio	**72%**	**71%**
Insured lives[1]	**2,905**	**2,930**
Solvency II (SII) coverage ratio (estimated) [2]	**160%**	**302%**

[1]Excludes the Scandinavian business which is in run-off.

[2]2016 is an estimated ratio and 2015 is the actual updated prior year ratio.

Results

The Company saw a 26% fall in profit before taxation to £133,503k (2015: £180,922k) driven by an increase in the insurance agency fee recharge from Bupa Insurance Services Limited. The increase is largely driven by the impact of foreign exchange on operating expenses, impairment to intangible assets and increased governance and compliance costs as the Company looks to strengthen its conduct environment.

Total revenues increased by 5% despite a challenging market with affordability of health insurance a key concern for customers. In the UK revenue increased across both corporate and SME segments with new business growth in the consumer segment. This was against a backdrop of 0.5% increase in insurance premium tax (IPT). The Company continues to work across the sector to stimulate reform in the private health care industry and improve affordability for customers. Focus is on containing healthcare costs, particularly those charged by private hospitals, which make up the majority of total costs.

In the IPMI segment, underlying revenue has reduced due to a fall in customer numbers following the decisions to exit non-strategic markets and contractions in the corporate and SME segments. However the Company has benefitted from the devaluation of sterling against the US dollar leading to a slight increase in overall revenue.

During the year one property valued at £69m was classified as held for sale.

Strategic Report (continued)

for the financial year ended 31 December 2016

The Company manages its capital resources in line with the Group's Capital Management Policy and the Company's risk appetite. As part of its effective capital management the Company reduced its share capital by £300m and share premium by £69m transferring it to distributable reserves, to support a £200m dividend payment to Bupa Finance plc. As a result of this transaction Bupa Finance plc was able to repay the loan from the Company of £200m.

Solvency

The Company maintains regulatory capital in line with its capital management objective as set out in note 23.

Since 1 January 2016, the Company has been subject to the requirements of the SII Directive and must hold sufficient Eligible Own Funds to cover its Solvency Capital Requirement (SCR). The SII Eligible Own Funds as at 31 December 2016 were £433m[1] (2015: £761m), well in excess of the SCR. The SII Eligible Own Funds include dividends approved by the Board on 28 February 2017. Under SII, dividends are recognised when foreseeable.

Solvency II Capital position	**2016 £'m[1]**	**2015 £'m**
Eligible Own Funds	**433**	**761**
Solvency Capital Requirement	**271**	**252**
Surplus	**162**	**509**
Solvency ratio	**160%**	**302%**

Eligible Own Funds

Reconciliation of IFRS equity to Solvency II Eligible Own Funds	**2016 £'m[1]**	**2015 £'m**
IFRS Equity attributable to shareholders	**210**	**512**
Valuation differences	**54**	**57**
Foreseeable dividend	**(25)**	**(61)**
Subordinated debt	**384**	**382**
Capital tiering restriction	**(190)**	**(129)**
Solvency II Eligible Own Funds	**433**	**761**

Components of Own Funds	**2016 £'m[1]**	**2015 £'m**
Unrestricted Tier 1	**238**	**508**
Restricted Tier 1	**59**	**127**
Tier 2	**136**	**126**
Eligible Own Funds	**433**	**761**

Solvency Capital Requirements

The SCR is calculated in accordance with the Standard Formula specified in the SII legislation. The Company has obtained approval from the Prudential Regulation Authority (PRA) to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter (USP) which reflects the Company's own loss experience.

Analysis of the Solvency Capital Requirement

% of diversified SCR[1]	**2016**	**2015**
Premium & Reserve Risk	**38%**	**37%**
Operational Risk	**22%**	**21%**
Market Risk	**17%**	**17%**
Mid-term Lapse Risk	**16%**	**17%**
Counterparty Risk	**4%**	**3%**
Pandemic Risk	**3%**	**5%**
	100%	**100%**

[1]The Solvency Capital Position and related disclosures are estimated values.

Development

The Company is committed to meeting customers' changing needs and making quality healthcare more affordable and accessible across the domestic and international health insurance markets. During 2016, it has continued campaigning to reform the healthcare sector in the UK and drive greater transparency for patients on the cost and quality of private healthcare through monitoring existing contracts with major healthcare providers. These agreements provide a solid base to address the affordability of private healthcare.

A trend towards mandatory health cover regimes in a number of countries around the world requires that the Company's IPMI products remain a distinctive, premium and international alternative which address more than the minimum local cover requirements. The Company continues to deploy a multi-region, multi-segment and multi-channel approach to penetrate globally across the IPMI segment.

Future outlook

It is anticipated that market conditions will remain challenging both in the UK and globally. The Company will seek to leverage the strength of Bupa's purpose, the Bupa brand, geographic coverage and healthcare expertise to drive future growth.

Principal risks and uncertainties

Both the business performance and operations are subject to a number of risks and uncertainties. The Directors consider that the key risks and uncertainties relate to market conditions, insurance risk, regulatory risk and operational risk.

Performance is monitored by the Board and senior management using operational, financial and other data.

Market and competitor activity

Health insurance markets are highly competitive with companies seeking to attract customers through new products and benefits. There is also demand for innovation to meet the different needs of corporate customers and individuals. The Company keeps its competitive position in each of its markets under continuous scrutiny, and regularly reviews strategic and tactical objectives.

Government policy change

As part of the strategic planning process, analysis is performed of the impact of possible political change on its business model. The Company also seeks to maintain a constructive dialogue with governments in its main areas of operation, promoting the benefits of high-quality, private healthcare alongside public provision. This risk is also mitigated by the international diversification of its operations.

Insurance Risk

There is a risk that the frequency, size or timing of claims on insurance policies varies from that expected, leading to an impact on financial returns. By virtue of being in the medical insurance business, the Company is exposed to a number of factors affecting its insurance risk, including macroeconomic trends, medical inflation, shifts in demographics, changes in population health, developments in healthcare delivery and technology, catastrophes and statistical fluctuation. Each of these factors could affect product pricing, reserving, claim risk accumulation, as well as the lapse and persistency behaviour of its current and prospective customers.

Insurance risks are managed in a variety of ways, the company's size and experience enables it to achieve stability in provider contracting for UK operations and it benefits from the geographic diversification elsewhere. The company uses its data and experience to develop actuarial models of products and pricing. In addition, the operations apply controls to underwriting and claims settlement. A significant mitigating factor is that the vast majority of business written is for short-term risks, which enable regular re-pricing in the event of changes in claims trends. Refer to management of insurance risk in note 22.1.

Regulatory Risk

The Company seeks to comply with all regulatory standards and to maintain an awareness of, and where possible, anticipate regulatory change. Its principal financial regulators are the UK's Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), with which the Board and senior managers maintain a close supervisory relationship. The Company seeks to mitigate the risk that it may fail to meet regulatory requirements through the effective operation of the governance framework, and in particular the three lines of defence model which helps to ensure the identification and management of all relevant requirements and associated risks.

Operational Risk

The Company has detailed Business Continuity Plans for all businesses with dedicated specialised resource in place to ensure appropriate operation of key processes and controls. Business continuity issues are reported to the Executive Risk Committee, with significant issues being escalated to the Board Risk Committee, which is responsible for ensuring appropriate controls are in place to mitigate potential risks. As a result of the governance structures and controls in place, there was no significant business disruption event during 2016.

The services provided by the Company are underpinned by information technology systems and infrastructure that enable the delivery of core processes and products. Failure of these systems may reduce the ability of the Company to deliver products and services to its customer base or increase the risk of information security breaches. This also includes cybersecurity risk, ensuring our IT systems to monitor and detect external threats are appropriate.

The Company's IT services are provided by Bupa Insurance Services Limited, which has dedicated IT teams who are responsible for the development, maintenance and monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the levels of services required by the business and adequately protect sensitive customer and business data.

UK exit of the EU

The result of the UK Referendum to leave the EU has introduced areas of uncertainty to our business. The immediate impact on the Company's financial position following the EU referendum in June has been limited. Liquidity remains strong, our investment portfolio is largely cash-based and low risk.

The UK government intends to notify the intention to leave the EU by the end of March 2017 which will start the formal process. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, it is too early to conclude how the UK exit will affect the Company's business, customers and employees.

While the UK government has set out its intention to leave the 'Single Market', uncertainties remain relating to limitations about the movement of people and workers, regulation of financial services (passporting) and the wider impact on the UK economy.

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1 March 2017

F Harris
Director

Directors' Report

for the financial year ended 31 December 2016

Results and dividends

The profit for the financial year after taxation amounted to £107.7m (2015: £144.0m). The Directors declared three interim dividends of £60.5m, £200.0m and £150.0m during the year ended 31 December 2016 (2015: £350.0m).

During the year the Directors approved a share capital reduction of £300m and £69m of share premium was transferred to retained earnings.

Impact of Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company.

Directors

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

R T Bowden (Chief Executive)	(resigned 30 September 2016)
R A Phipps (Chairman)	
G K Aslet	(resigned 4 March 2016)
L Churchill	(resigned 30 June 2016)
F Harris	(appointed 18 November 2016)
R A Lang	(resigned 13 December 2016)
M C Ledlie	(appointed 18 April 2016)
S J O'Connor	(appointed 1 February 2016)
M Potkins	
C E Thompson	
T Crosier (Company Secretary)	(resigned 31 December 2016)
A Morrison (Company Secretary)	(appointed 1 January 2017)

Employees

Details of the number of persons employed and gross remuneration are contained in note 4 to the financial statements. Every effort is made by the Directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance.

Employment of disabled persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development; and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

The Bupa People Manager Expectations clearly sets out management expectations, including the need to listen to employees needs and issues. People Pulse provides the opportunity for all employees to raise their views anonymously. The approach to managing performance includes setting performance expectations. Schemes exist to incentivise, recognise and reward performance.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as that each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditor is aware of that information.

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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1 March 2017

F Harris
Director

Statement of Directors' responsibilities

for the financial year ended 31 December 2016

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUPA INSURANCE LIMITED

We have audited the financial statements of Bupa Insurance Limited for the year ended 31 December 2016 set out on pages 9 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
1 March 2017

Statement of Profit and Loss Account and Other Comprehensive Income
for the financial year ended 31 December 2016

All profits are derived from continuing operations.

TECHNICAL ACCOUNT	Notes	2016 £'000	2015 £'000
Revenues			
Gross premiums written	2	**2,378,345**	2,316,141
Outward reinsurance premiums	2	**(106,588)**	(104,390)
Premiums written, net of reinsurance	2	**2,271,757**	2,211,751
Change in the gross provision for unearned premiums	18	**10,850**	(36,357)
Reinsurers' share of change in the gross provision for unearned premiums	18	**(5,940)**	(8,629)
		4,910	(44,986)
Net premiums earned	2	**2,276,667**	2,166,765
Other technical income, net of reinsurance		**5,014**	6,696
Total revenues		**2,281,681**	2,173,461
Gross claims paid		**(1,727,513)**	(1,620,436)
Reinsurers' share of claims paid		**92,683**	81,691
Gross claims paid net of reinsurance		**(1,634,830)**	(1,538,745)
Gross change in the provision for claims	18	**(14,334)**	4,546
Reinsurers' share of change in the provision	18	**(1,054)**	(3,938)
		(15,388)	608
Net claims incurred	2	**(1,650,218)**	(1,538,137)
Net operating expenses	3	**(521,889)**	(458,918)
Total claims and expenses		**(2,172,107)**	(1,997,055)
Profit before financial income and expense		**109,574**	176,406
NON-TECHNICAL ACCOUNT			
Investment income	5	**27,390**	38,365
Unrealised gains on investments		**46,307**	4,288
Investment expenses	6	**(49,759)**	(24,867)
Unrealised losses on investments		**(9)**	(13,270)
Net financial income		**23,929**	4,516
Profit before taxation expense	7	**133,503**	180,922
Taxation on profit on ordinary activities	8	**(25,825)**	(36,916)
Profit for the financial year		**107,678**	144,006

Notes 1 - 25 form part of these financial statements

Statement of Profit and Loss Account and Other Comprehensive Income
for the financial year ended 31 December 2016

	Note	For the year ended 31 December 2016 £'000	For the year ended 31 December 2015 £'000
Profit for the financial year		**107,678**	144,006
Other Comprehensive Income			
Items that will not be reclassified to the profit and loss account			
Unrealised (loss)/gain on revaluation of property	9	**(34)**	15,962
Deferred tax on loss/gains on revaluation of property		**263**	(2,298)
Total items that will not be reclassified to the profit and loss account		**229**	13,664
Items that may be reclassified subsequently to the profit and loss account			
Unrealised gains on available-for-sale assets		**378**	-
Foreign exchange translation differences		**-**	456
Total items that may be reclassified subsequently to the profit and loss account		**378**	456
Other Comprehensive Income for the year		**607**	14,120
Total Comprehensive Income for the year		**108,285**	158,126

Notes 1 - 25 form part of these financial statements

Balance Sheet
as at 31 December 2016

ASSETS	Notes	2016 £'000	2015 £'000
Investments			
Land and buildings	9	**20,213**	70,272
Investment in subsidiary undertakings	11	**2,904**	2,478
Financial investments	12	**745,322**	1,159,220
		768,439	1,231,970
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	**34,711**	35,903
Claims outstanding	18	**15,042**	11,665
		49,753	47,568
Debtors			
Debtors arising out of direct insurance operations:			
Policyholders		**668,244**	602,652
Intermediaries		**1,450**	4,853
Debtors arising out of reinsurance operations		**48,352**	16,512
Other debtors	14	**109,882**	60,294
		827,928	684,311
Assets held for sale	10	**68,500**	-
Cash at bank and in hand	15	**242,556**	181,134
Prepayments and accrued income			
Deferred acquisition costs		**58,060**	54,602
Other prepayments and accrued income		**5,865**	5,772
		63,925	60,374
Total assets		**2,021,101**	2,205,357

Notes 1 - 25 form part of these financial statements

Balance Sheet (continued)
as at 31 December 2016

EQUITY AND LIABILITIES	Notes	2016 £'000	2015 £'000
Capital and reserves			
Called up share capital	16	**57,209**	357,209
Share premium account		**-**	68,561
Investment revaluation reserve		**378**	-
Property revaluation reserve		**22,419**	25,691
Profit and loss reserve		**129,748**	60,508
Total capital and reserves		**209,754**	511,969
Subordinated liabilities	17	**335,912**	336,030
Gross technical provisions			
Provision for unearned premiums	18	**1,008,417**	988,427
Claims outstanding	18	**268,216**	235,395
		1,276,633	1,223,822
Provisions for other risks	19	**4,537**	4,824
Deposits received from reinsurers		**5,696**	2,649
Creditors			
Creditors arising out of direct insurance operations		**9,021**	7,848
Creditors arising out of reinsurance operations		**34,990**	17,700
Deferred taxation	13	**4,862**	6,286
Other creditors	20	**139,696**	94,229
		188,569	126,063
Total liabilities		**1,811,347**	1,693,388
Total equity and liabilities		**2,021,101**	2,205,357

These financial statements were approved by the Board of Directors on 1 March 2017 and were signed on its behalf by:

F Harris
Director

C E Thompson
Director

Notes 1 - 25 form part of these financial statements

Statement of changes in equity
for the financial year ended 31 December 2016

	Share capital account £'000	Share premium account £'000	Investment revaluation reserve £'000	Property revaluation reserve £'000	Profit and loss reserve £'000	**Total £'000**
For the year ended 31 December 2016						
At beginning of period	357,209	68,561	-	25,691	60,508	511,969
Profit for the year	-	-	-	-	107,678	107,678
Other Comprehensive Income / (Expense)						
Realised revaluation profit on disposal of property	-	-	-	(3,501)	3,501	-
Unrealised gains on available-for-sale assets	-	-	378	-	-	378
Unrealised loss on revaluation of property	-			229		229
Total Comprehensive Income for the period	**-**	**-**	**378**	**(3,272)**	**111,179**	**108,285**
Transactions with owners recorded directly in equity						
Capital reduction	(300,000)	(68,561)	-	-	368,561	-
Dividends paid	-	-	-	-	(410,500)	(410,500)
At end of year	**57,209**	**-**	**378**	**22,419**	**129,748**	**209,754**
For the year ended 31 December 2015						
At beginning of period	357,209	68,561	-	12,027	266,076	703,873
Profit for the year	-	-	-	-	144,006	144,006
Other Comprehensive Income						
Exchange translation differences	-	-	-	-	456	456
Unrealised gains on revaluation of property	-	-	-	13,664	-	13,664
Total Comprehensive Income for the period	**-**	**-**	**-**	**13,664**	**144,462**	**158,126**
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(350,030)	(350,030)
At end of year	**357,209**	**68,561**	**-**	**25,691**	**60,508**	**511,969**

Notes 1 - 25 form part of these financial statements

Notes to the financial statements
for the financial year ended 31 December 2016

1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under the historical cost convention. The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and December 2016 have no impact on the financial statements of the Company for the year ended 31 December 2016.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (Bupa), a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- Comparative period reconciliations for land and buildings;
- Cumulative translation differences for all foreign operations;
- Statement of cash flows and related notes;
- Related party transactions with fellow Bupa Group companies;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The financial statements are presented in sterling, which is also the Company's functional currency rounded to thousands.

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

1.1 Going concern

The Directors have conducted an assessment of the Company's going concern status based on its current position and forecast results. The Company has sufficient financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' Report and Financial Statements.

1.2 Foreign currencies

a) Foreign branches

The assets and liabilities of foreign branches held in functional currencies other than sterling are translated from their functional currency into sterling at the exchange rate at the Balance Sheet date. Income and expenses are translated at average rates for the period, provided that the average rate approximates the rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income. On the disposal of a foreign operation, the foreign exchange amount accumulated in reserves related to that foreign operation is reclassified to profit or loss as part of the gains or loss on disposal.

b) Foreign transactions

Transactions in foreign currencies other than the functional currency of the Company are translated to the respective functional currency of the Company or its foreign operations. Realised exchange differences arising on transactions of foreign currency amounts are recorded in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the Balance Sheet date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities and then it is presented in financial income or expense as appropriate. Non-monetary assets and liabilities denominated in a foreign currency at historic cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore 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.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

1.3 Land and buildings

Freehold and leasehold properties comprise offices. These properties are shown at fair value based on periodic valuations performed by external independent valuers. The valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from fair value at the Balance Sheet date. Directors' valuations are performed in interim years where indicators of a change in value exist. Valuations of office buildings are on a market value basis. Borrowing costs relating to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

Gains and losses on revaluation are recognised in other comprehensive income and revaluation reserve within equity except where an asset is revalued below historical cost, in which case the deficit is recognised in the profit and loss account. Where a revaluation reverses deficits taken to the profit and loss account in prior years, then it is credited to the profit and loss account.

Freehold land, included within freehold or leasehold properties as appropriate, is not depreciated. Depreciation on property is calculated using the straight line method to allocate costs or revalued amount less residual value over estimated useful life as follows.

• Freehold land	No depreciation
• Freehold property	50 years
• Leasehold property	Shorter of useful life and lease term

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.4 Provisions for other risks

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation that can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Although provisions are made where payments can be reliably estimated, the amounts provided are based upon a number of assumptions that are inherently uncertain and therefore the amount that is ultimately paid could differ from the amount recorded.

1.5 Basis of accounting for underwriting activities

Underwriting activities are accounted for on an annual "accident year" basis.

a) Other technical income

Revenue from contracts entered into by the Company that do not result in the transfer of significant insurance risk to the Company is recognised as the services are provided and is presented as other technical income. These contracts mainly relate to the administration of claims funds on behalf of corporate customers.

b) Net premiums earned

Net premiums earned represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, net of reinsurance, adjusted for the change in the gross provision for unearned premiums during the financial year.

The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years.

Premiums are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

c) Outward reinsurance premiums

Outward reinsurance premiums represent the reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums.

In cases where the Company cedes reinsurance for the purpose of limiting its net loss potential, the arrangements do not relieve the Company of its direct obligations under insurance policies written.

Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business. The actual profit and loss is therefore recognised not at inception but as such profit and loss emerges. Any initial reinsurance commission is recognised on the same basis as the acquisition costs incurred.

d) Net claims incurred

The gross technical provision for claims represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

The gross technical provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the technical account in the financial year in which the change is made.

Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year, in respect of contracts commencing before that date, are expected to exceed the related unearned premiums, less related deferred acquisition costs. The methods used and estimates made for claims provisions are reviewed regularly.

e) Reinsurers' share of claims

Reinsurers' share of claims incurred represents recoveries from reinsurers on claims paid, adjusted for the reinsurers' share of the change in the gross technical provision for claims. The recoverables due from reinsurers are assessed for impairment at each balance sheet date. Impairments are accounted for within the technical account on an incurred loss basis.

f) Acquisition costs

Acquisition costs included within net operating expenses, represent commissions payable and other direct expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs that have been paid that relate to subsequent periods are deferred and recognised in the technical account across the period in which the benefit has been recognised, on a straight line basis.

1.6 Taxation and deferred taxation

The taxation expense on the profit for the year comprises current and deferred taxation.

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

Deferred taxation is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more taxation benefits, with the following exceptions:

- Provision is made for taxation on gains arising from the revaluation of property to its market value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Balance Sheet date there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the Balance Sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the Balance Sheet date, dividends have been accrued as receivable.

Deferred taxation assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

1.7 Related party transactions

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (Bupa), a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

FRS 101 also exempts entities from disclosure of compensation for key management personnel as required by IAS 24. There were no other related party transactions.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, provision for expected claims is made on an incurred basis.

1.8 Investment income and expenses

Investment income comprises interest receivable, realised gains on investments, changes in the fair value of items recognised at fair value through profit and loss, changes in the fair value of derivatives and foreign exchange gains and losses. Interest income except in relation to assets classified as fair value through profit and loss, is recognised in the non-technical account as it accrues, using the effective interest method.

Investment expenses include interest payable on borrowings, realised losses on investments, changes in the fair value of items recognised at fair value through profit and loss, changes in the fair value of derivatives and other investment expenses.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Changes in the value of financial assets designated as at fair value through profit and loss are recognised within investment income as an unrealised gain or loss while the asset is held, this represents the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

1.9 Financial investments

The Company has classified its financial investments into the following categories: available-for-sale, at fair value through profit and loss, held to maturity and loans and receivables. The Directors determine the classification of all financial investments at initial recognition. Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Company has transferred substantially all risks and rewards of ownership.

a) Available-for-sale

Available-for-sale assets are non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified in the below categories. Available-for-sale assets are measured at fair value in the balance sheet. Fair value changes on available-for-sale assets are recognised directly in equity, through other comprehensive income, except for interest and foreign exchange gains or losses which are recognised through profit and loss. The cumulative gain or loss that was recognised in equity is recognised in the profit and loss when an available-for-sale financial asset is derecognised.

b) Financial investments at fair value through profit and loss

Financial investments designated at fair value through profit and loss consist of investments or instruments where management makes decisions based upon their fair value.

The investments are carried at fair value, with gains and losses arising from changes in this value recognised in the Profit and Loss Account in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

c) Loans and receivables

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost calculated using the effective interest method, less impairment losses.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

d) Held to maturity investments

Held to maturity investments are non-derivative financial assets which are quoted on an active market, with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. This is assessed at each reporting date. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any discount or premium on purchase is amortised over the life of the investment through the Profit and Loss Account.

Any premiums or discounts are amortised via the effective interest rate calculation.

1.10 Derivative financial instruments

Derivative financial instruments consist of currency forward contracts and swaps. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the profit and loss account.

The fair value of a financial instrument is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties.

1.11 Investments in subsidiaries

Investments in subsidiary undertakings are held at historical cost less impairment, if any.

1.12 Debtors

Debtors, including insurance debtors are carried at amortised cost less impairment losses.

1.13 Impairment of financial assets

Financial assets comprise financial investments and trade and other debtors. If they are not already held at fair value, financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate at the date the investment was made.

Significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the profit and loss account.

1.14 Subordinated liabilities

Subordinated liabilities are stated at amortised cost using the effective interest method. The coupon payable on the loan is recognised as an investment expense within net financial income.

1.15 Creditors

Insurance Premium Tax (IPT) is payable on insurance premiums. IPT is payable in full when the policy is written.

1.16 Assets held for sale

Non-current assets are classified as held for sale where their carrying amount will be recovered principally through a sale transaction rather than continuing use, where a sale is highly probable within one year and where the asset is available for immediate sale in its present condition.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires the Directors to exercise judgement in applying the Company's accounting policies. The estimates and assumptions are based on historical experience and other related variables, updated to reflect current trading performance. The estimates and assumptions are reviewed on an ongoing basis and are considered to be appropriate but actual results may differ from these estimates.

Judgements made by management in applying the Company's accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in subsequent periods, are set out below and in more detail in the related notes.

- Insurance accounting (note 18-19)
- Property valuations (note 9)
- Financial investments (notes 12 and 21)
- Held for sale (note 10)

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

2. Analysis of underwriting results

(i) Analysis by class

	Premiums written £'000	Premiums earned £'000	Claims incurred £'000
2016			
Direct insurance: accident and health	2,106,127	2,121,077	(1,565,800)
Inward reinsurance	272,218	268,119	(176,047)
Outward reinsurance	(106,588)	(112,528)	91,629
	2,271,757	2,276,667	(1,650,218)
2015			
Direct insurance: accident and health	2,067,352	2,056,227	(1,464,039)
Inward reinsurance	248,789	223,557	(151,536)
Outward reinsurance	(104,390)	(113,019)	77,438
	2,211,751	2,166,765	(1,538,137)

(ii) Analysis by type

Gross premiums written	**2016 £'000**	2015 £'000
Group	1,272,727	1,160,203
Individual	1,105,618	1,155,938
	2,378,345	2,316,141

(iii) Segmental analysis of gross premiums written

	Gross premiums £'000	Technical account £'000
2016		
UK PMI	1,583,850	98,511
IPMI	794,495	14,352
Central activities	-	(3,289)
	2,378,345	109,574
2015		
UK PMI	1,551,851	102,818
IPMI	764,290	75,010
Central activities	-	(1,422)
	2,316,141	176,406

Geographic

	Gross premiums £'000	Technical account £'000
2016		
United Kingdom	2,251,875	101,028
EU member states	39,970	7,245
Rest of the world	86,500	1,301
	2,378,345	109,574
2015		
United Kingdom	2,191,350	166,175
EU member states	36,834	9,014
Rest of the world	87,957	1,217
	2,316,141	176,406

Geographical analysis is based on where the business is written.

(iv) Segmental analysis of net assets

	2016 £'000	2015 £'000
UK PMI	443,750	476,766
IPMI	198,775	177,389
Central activities	(432,771)	(142,186)
	209,754	511,969

	2016 £'000	2015 £'000
United Kingdom	150,146	466,096
EU member states	47,819	36,732
Rest of the world	11,789	9,141
	209,754	511,969

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

3. Net operating expenses

	2016 £'000	2015 £'000
Commission and other acquisition costs	**144,535**	132,367
Changes in deferred acquisition costs	**(830)**	(2,998)
Staff costs (see note 4)	**3,131**	3,320
Net loss on foreign exchange transactions	**22,013**	9,115
Expenses payable to Bupa Group companies	**348,684**	317,900
Reinsurers share of expenses	**(10,830)**	(11,941)
Other operating expenses	**15,186**	11,155
	521,889	458,918

4. Staff costs and Directors' remuneration

All of the Company's employees work in our Copenhagen office. All other staff are remunerated and employed through the Company's service company, Bupa Insurance Services Limited and recharged to Bupa Insurance Limited.

(i) Staff costs

The average monthly number of employees was as follows:

	2016	2015
	47	62

	2016 £'000	2015 £'000
Wages and salaries	**2,528**	2,723
Social security costs	**360**	367
Pension costs	**243**	230
	3,131	3,320

(ii) Directors' remuneration

	2016 £'000	2015 £'000
Emoluments	**2,160**	2,728
Company contributions to defined contribution pension schemes	**97**	-
Amounts receivable under long-term incentive schemes	**879**	497
	3,136	3,225

There is one director who is a member of a Bupa defined benefit pension scheme (2015: None).

The remuneration of the highest paid Director was:

	2016 £'000	2015 £'000
Emoluments	**640**	853
Company contributions to defined contribution pension schemes	**97**	-
Amounts receivable under long-term incentive schemes	**381**	209
	1,118	1,062

5. Investment income

	2016 £'000	2015 £'000
Income from Bupa Group undertakings;		
Interest receivable	**1,699**	6,534
Rental income	**5,772**	5,936
Income from deposits with credit institutions	**6,863**	9,246
Realised capital gains on investments	**5,355**	11,674
Realised foreign exchange gains	**7,701**	4,975
	27,390	38,365

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

6. Investment expenses

	2016 £'000	2015 £'000
Interest payable to Bupa Group undertakings	**20,641**	20,608
Realised foreign exchange losses	**25,074**	254
Realised losses on other investments	**387**	420
Investment management expenses payable to Bupa Group undertakings	**1,128**	1,211
Other interest payable	**2,529**	2,374
	49,759	24,867

7. Expenses and auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**646**	660
Non-audit assurance services	**400**	-
	1,046	660

Fees for the audit of the Company represent the amount receivable by the Company's auditors.

8. Taxation on profit on ordinary activities

(i) Analysis of taxation charge in the financial year

	2016 £'000	2015 £'000
Current tax		
UK corporation taxation on profit for the financial year	**27,040**	36,379
Double taxation relief	**(2,877)**	(2,539)
Foreign taxation on income for the financial year	**2,877**	2,797
	27,040	36,637
Adjustments in respect of prior periods		
UK corporation taxation	**(54)**	(3)
Total current taxation	**26,986**	36,634
Deferred tax		
Origination and reversal of temporary differences	**(706)**	143
Changes in taxation rate	**85**	136
Adjustments in respect of prior periods	**(540)**	3
Total deferred taxation	**(1,161)**	282
Total taxation on profit on ordinary activities	**25,825**	36,916

The total taxation expense recognised in the profit and loss account of £25,825k (2015: £36,916k) represents a headline effective tax rate of 19.3% (2015: 20.4%) against a statutory UK prevailing tax rate of 20% (2015: 20.25%).

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

(ii) Reconciliation of effective tax rate

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

	2016 **£'000**	2015 £'000
Profit on ordinary activities before taxation	**133,503**	180,922
Taxation on profit on ordinary activities at standard UK	**26,700**	36,631
Effects of:		
Non taxable income	**(412)**	-
Transfer pricing adjustment	**(79)**	(80)
Deferred taxation adjustments in respect of prior periods	**(540)**	3
Deferred tax not recognised[1]	**-**	252
Changes in taxation rate	**210**	113
Current income taxation adjustments in respect of prior periods	**(54)**	(3)
Total current taxation charge for the year	**25,825**	36,916

[1] As at 31 December 2016, the company had deductible temporary differences relating to unrelieved foreign tax of £2,575k (2015: £2,575k) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

9. Land and buildings

2016	Freehold property - Land £'000	Freehold property - Buildings £'000	Long leasehold property £'000	Equipment £'000	**Total £'000**
Cost or valuation					
At beginning of period	44,650	25,600	25	-	70,275
Additions	11,467	14,063	-	7,410	32,940
Reclassification	750	(750)	-	-	-
Transfer to held for sale	(41,000)	(28,000)	-	-	(69,000)
Disposal	(400)	(5,850)	(25)	(4,351)	(10,626)
Revaluation	(4,000)	2,505	-	-	(1,495)
At end of year	**11,467**	**7,568**	**-**	**3,059**	**22,094**
Depreciation					
At beginning of period	-	-	3	-	3
Charge for the year	-	1,500	2	3,319	4,821
Disposal	-	(39)	(5)	(1,438)	(1,482)
Revaluation	-	(1,461)	-	-	(1,461)
At end of year	**-**	**-**	-	1,881	1,881
Net book value at end of year	**11,467**	**7,568**	**-**	**1,178**	**20,213**
Net book value at beginning of year	44,650	25,600	22	-	70,272

During the year one property valued at £69m was reclassified as held for sale and was transferred out of land and buildings. The remaining property is currently under construction and as such is held at cost so has not been subject to any revaluations.

10. Assets held for sale

	2016 **£'000**	2015 £'000
Transfer from land and building	**69,000**	-
Costs to sell	**(500)**	-
	68,500	**-**

An office building in the UK, is presented as held for sale at 31 December 2016 following the decision to sell the property.
On classification as held for sale £0.5m has been recognised in 'Net operating expenses' in the Profit and Loss account with regards to expected costs to sell.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

11. Investment in subsidiary undertakings

The investment in subsidiary undertaking relates solely to Bupa Insurance (Bolivia) S.A, an insurance company incorporated in Bolivia, in which the Company holds a 100% investment in ordinary shares.

12. Financial investments

	Carrying value 2016 £'000	**Fair value 2016 £'000**	Carrying value 2015 £'000	Fair value 2015 £'000
Non-current				
Available-for-sale				
Corporate debt securities	**133,006**	**133,006**	-	-
Designated at fair value through the profit and loss				
Corporate debt securities and secured loans	**172,190**	**172,190**	199,594	199,594
Government debt securities	**23,618**	**23,618**	27,082	27,082
Pooled investment funds	**81,269**	**81,269**	35,193	35,193
Held to maturity				
Corporate debt securities	**12,916**	**13,043**	47,935	48,507
Loans and receivables				
Deposits with credit institutions	**100,511**	**102,584**	140,799	142,431
Total non-current	**523,510**	**525,710**	450,603	452,807
Current				
Designated at fair value through the profit and loss				
Pooled investment funds	**39,841**	**39,841**	34,969	34,969
Held to maturity				
Corporate debt securities	**60,302**	**60,388**	90,080	90,141
Loans and receivables				
Loans to Bupa Group undertakings	**-**	**-**	200,501	200,502
Deposits with credit institutions	**121,669**	**122,178**	383,067	383,279
Total current	**221,812**	**222,407**	708,617	708,891
Total	**745,322**	**748,117**	1,159,220	1,161,698

Financial investments are held at fair value aside from corporate debt securities held to maturity and loans and receivables which are held at amortised cost. The fair value of these are shown in the table above.

Available-for-sale assets are held at fair value, changes in the fair value are recognised directly in equity.

13. Deferred taxation

	2016 £'000	2015 £'000
At beginning of year- net deferred taxation liability	**(6,286)**	(3,707)
Credited/(charged) to profit and loss account	**1,161**	(282)
Recognised in other comprehensive income	**263**	(2,297)
At end of year- net deferred taxation liability	**(4,862)**	(6,286)

Net deferred taxation liability is analysed as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	**68**	84
Revaluation of property to fair value	**(4,982)**	(5,947)
Provisions	**52**	107
Other	**-**	(530)
Total	**(4,862)**	(6,286)

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

14. Other debtors

	2016 £'000	2015 £'000
Amounts owed by Bupa Group undertakings	**59,011**	23,203
Other debtors	**9,074**	9,130
Corporation tax receivable	**38,232**	27,833
Derivative assets	**3,508**	71
Trade debtors	**57**	57
Total	**109,882**	60,294

The carrying value of debtors is a reasonable approximation of the fair value.
All derivatives are disclosed as level two in the three level hierarchy.

15. Cash at bank and in hand

	2016 £'000	2015 £'000
Cash at bank and in hand	**242,112**	180,081
Restricted access deposits	**444**	1,053
	242,556	181,134

The restricted access deposits of £444k (2015: £1,053k) relate to claims funds held on behalf of corporate customers. These amounts may be used only to discharge those obligations and potential liabilities if and when they crystallise.

16. Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
57,208,702 ordinary shares of £1 each (2015: 357,208,702 ordinary shares of £1 each)	**57,209**	357,209

The Company manages its capital resources in line with the Group's Capital Management Policy and risk appetite. As part of its effective capital management the Company reduced its share capital by £300m, transferring it to distributable reserves, to support a £200m dividend payment to Bupa Finance plc. As a result of this transaction Bupa Finance plc was able to repay the loan from the Company of £200m.

17. Subordinated liabilities

	2016 £'000	2015 £'000
Subordinated loan	**335,912**	336,030

The Company has a £330m subordinated loan from Bupa Finance plc (the Lender). The loan has no fixed repayment date but is callable on 16 September 2020. Interest is payable at the following rates:

- At 6.25% p.a. to the first call date of 16 September 2020.
- Subsequently at a rate per annum which is determined by the Lender to be the aggregate of 1.725% and the gross redemption yield of the benchmark gilt in respect of that reset interest calculation period.

In the event of the winding up of the Company, the claims of the Lender are subordinated in right of payment to the claims of the other creditors of the Company.

The fair value of the subordinated loan is £350,769k (2015: £351,976k).

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

18. Gross technical provisions

2016	Gross £'000	Reinsurance £'000	Net £'000
Analysis of movement in provision for unearned premiums			
At beginning of year	988,427	(35,903)	952,524
Written premiums in respect of future periods	2,378,345	(41,116)	2,337,229
Earned in the year	(2,389,195)	47,056	(2,342,139)
Transfer from fellow Group undertaking	2,518	-	2,518
Foreign exchange	28,322	(4,748)	23,574
At end of year	1,008,417	(34,711)	973,706

Analysis of movement in provision for claims			
At beginning of year	235,395	(11,665)	223,730
Cash paid to settle claims	(1,686,061)	33,982	(1,652,079)
Decrease for prior years' claims	-	1,650	1,650
Increase for current year claims	1,700,395	(34,578)	1,665,817
Transfer	2,529	(2,529)	-
Foreign exchange	15,958	(1,902)	14,056
At end of year	268,216	(15,042)	253,174

2015	Gross £'000	Reinsurance £'000	Net £'000
Analysis of movement in provision for unearned premiums			
At beginning of year	943,141	(42,842)	900,299
Written premiums in respect of future periods	2,316,141	(37,844)	2,278,297
Earned in the year	(2,279,841)	46,473	(2,233,368)
Foreign exchange	8,986	(1,690)	7,296
At end of year	988,427	(35,903)	952,524

Analysis of movement in provision for claims			
At beginning of year	234,377	(12,683)	221,694
Cash paid to settle claims	(1,586,225)	30,802	(1,555,423)
Decrease for prior years' claims	(2,893)	4,149	1,256
Increase for current year claims	1,586,882	(33,324)	1,553,558
Foreign exchange	3,254	(609)	2,645
At end of year	235,395	(11,665)	223,730

Assumptions for general insurance business

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

Estimation techniques are used in the calculation of the claims outstanding which are valued at a point estimate. The claims outstanding comprises the estimated costs of claims and claims handling expense for the two claims components as follows:

• Claims reported but not paid
• Claims incurred but not reported (IBNR)

Claims reported but not paid are computed from direct data extraction from claims administration and accounting systems. For IBNR the method of computation is based upon the development of previously settled claims and the extrapolation of payments to date for each prior month.

Notes to the financial statements (continued)

for the financial year ended 31 December 2016

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

While there is some diversity in the development profile of health insurance claims across the Company, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which the benefit is claimed. Medical expenses claims are typically, substantially fully-settled within just a few months. Claims management practices such as pre-authorisation of the claim with the insured, electronic claims settlement and effective network provider arrangements can reduce the development period to four to six months.

Insurance provisions are best estimates. Actual experience of claims costs and/or administrative expenses may well vary from that anticipated in the reserving estimates.

Liability adequacy testing

Liability adequacy tests are performed for all insurance portfolios. For short duration contracts, a premium deficiency is recognised if the sum of expected costs of future claims and claim adjustment expenses, capitalised deferred acquisition costs, and maintenance expenses exceeds the corresponding unearned premiums, while considering anticipated investment income. Such a deficiency would be immediately recognised in the Profit and Loss Account.

19. Provision for other risks

2016	Regulatory £'000	Other £'000	Total £'000
At beginning of year	1,744	3,080	4,824
Charged to profit and loss account	2,603	1,518	4,121
Utilisation of the provision	(3,016)	-	(3,016)
Released in the year	(962)	(367)	(1,329)
Foreign exchange	-	(63)	(63)
At end of year	369	4,168	4,537

Regulatory provisions relate to levies payable to the PRA and the FCA. Such levies are generally determined on a capped percentage of revenues basis. Payments are normally made annually, although the frequency may be increased or decreased at the discretion of the regulatory body. The provision is a best estimate of the forthcoming payments considering the likely liability and expected business performance.

Other provisions relate principally to possible insurance premium tax (IPT) payments and legal, contract and customer remediation provisions.

The provision for possible IPT payments of £1,981k (2015: £2,085k) relates to countries where there is a potential IPT exposure but the regulations in the country do not oblige the Company to pay IPT, therefore uncertainty exists around the timing of potential payments.

20. Other Creditors

	2016 £'000	2015 £'000
Insurance premium taxation payable	**43,407**	28,645
Amounts owed to Bupa Group undertakings	**44,029**	28,083
Accruals and deferred income	**32,857**	24,886
Other creditors	**15,371**	9,755
Derivative liabilities	**41**	2,307
Trade creditors	**3,991**	553
	139,696	94,229

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

21. Financial instruments

The fair value of a financial instrument is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. The fair value of the Company's financial instruments are calculated based on quoted prices at the balance sheet date, or discounted expected future principal and interest cash flows.

Financial instruments carried at fair value are measured using different valuation methods categorised into a 3 level hierarchy. The different levels have been defined by reference to the lowest level input that is significant to the fair value measurement, as follows:

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

An analysis is as follows:

	Non current			Current		
At 31 December 2016	**Level 1 £'000**	**Level 2 £'000**	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Total £'000**
Available-for-sale						
Corporate debt securities	**133,006**	**-**	**133,006**	**-**	**-**	**-**
Designated at fair value through the profit and loss						
Corporate debt securities and secured loans	**-**	**172,190**	**172,190**	**-**	**-**	**-**
Government debt securities	**-**	**23,618**	**23,618**	**-**	**-**	**-**
Pooled investment funds	**81,269**	**-**	**81,269**	**39,841**	**-**	**39,841**
Held to maturity						
Corporate debt securities	**13,043**	**-**	**13,043**	**60,388**	**-**	**60,388**
Loans and receivables						
Deposits with credit institutions	**-**	**102,584**	**102,584**	**-**	**122,178**	**122,178**
	227,318	**298,392**	**525,710**	**100,229**	**122,178**	**222,407**
At 31 December 2015						
Designated at fair value through the profit and loss						
Corporate debt securities and secured loans	-	199,594	199,594	-	-	-
Government debt securities	-	27,082	27,082	-	-	-
Pooled investment funds	35,193	-	35,193	34,969	-	34,969
Held to maturity						
Corporate debt securities	18,145	30,362	48,507	-	90,141	90,141
Loans and receivables						
Deposits with credit institutions	-	142,431	142,431	-	383,279	383,279
Loans to Group undertakings	-	-	-	-	200,502	200,502
	53,338	399,469	452,807	34,969	673,922	708,891

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

22. Risk management

The Directors are responsible for identifying, evaluating and managing risks faced by the Company and consider the acceptable level of risk, the likelihood of these risks materialising, how to reduce the risk and the cost of operating particular controls relative to the benefit from managing the related risks.

The Company operates the three lines of defence model;

1. Business management is responsible for the identification and assessment of risks and controls;
2. Risk functions provide support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans; and
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 principal significant risks of the Company and how they are mitigated are described on pages 3 to 4.

The Company has adopted a risk management strategy that endeavours to mitigate these risks, which is approved by the Board. In managing these exposures, the Company's Investment Committee reviews and monitors any significant investment and market risks.

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

1. Insurance risk
2. Market risk
3. Credit risk
4. Liquidity risk

22.1 Insurance risk

Underwriting risk

Underwriting risk affects future cash flows of the Company. It can be subdivided into claims risk and pricing risk which represent the risk of adverse variances in claims outflows and premium inflows respectively.

Pricing risk arises from routine revisions to premium tariffs and from the processes, in certain businesses, to set bespoke premiums for large corporate health insurance customers. The adequacy of pricing rests on thorough actuarial analyses of past and most recent claims levels, combined with forward projections of the most recent observed trends. Pricing risk affects only future cash flows since new tariffs impact on levels of premium earned when health insurance contracts renew.

The Company's dominant product style is of an annually renewable health insurance contract. The annual renewability feature permits tariff revisions to be made in response to changes in claim experience. This is a significant mitigant to pricing risk. The Company underwrites no material business that commits it to cover risks at premiums fixed beyond a twelve month period from inception or renewal.

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 Company depending on local conditions and practice.

Future adverse claims experience, for example, that which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements.

Generally, the Company's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore claims experience is necessarily underpinned by prevailing rates of illness. Additionally, claims risk is generally mitigated by the Company running control processes to ensure that both the treatments and the consequent reimbursements are appropriate.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

Reserving risk

Reserving risk is the risk that technical provisions for claims incurred prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk due to the short-term nature of claims development patterns. The short-tail nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant. The development patterns are kept under constant review to maintain the validity of the assumptions and hence, the validity of the estimation of recognised technical provisions.

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is not material. Also, of the small provisions that do relate to longer than one year, it is possible to predict with reasonable confidence the outstanding amounts.

Other risks related to underwriting health

Claims provisions are not discounted and their short-term nature means that changes in interest rates have no impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical provider cost inflation affect the financial soundness of health insurance businesses.

None of the Company's insurance contracts contain embedded derivatives so the contracts do not in that respect give rise to interest rate risk. The Company is exposed to foreign currency risk through some claims which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to provide an economic hedge to this exposure.

Only in select circumstances does the Company use reinsurance. Reinsurance contracts give rise to credit risk as disclosed in note 22.3.

Concentrations of risk

The majority of the Companies activities are single line health portfolios. Even though only one line of business is involved, the Company does not have significant concentrations of insurance risk for the following reasons:

- Product diversity between domestics and expatriate, and individual and corporate health insurance; and
- A variety of claims type exposures across diverse medical providers – consultants, nursing staff, clinics, individual hospitals and hospital groups

The company is exposed to the risk that a single event occurs in a location which would result in a large number of claims. This is mitigated by writing a diverse portfolio of business, in particular group policies, both within and across geographies

Catastrophe risk

Either a natural disaster or a manmade disaster could potentially lead to a large number of claims and thus higher than expected claims costs. In the majority of jurisdictions the Company has limited exposure to claims relating to these risks. Such risks are further reduced by excess of loss cover by Bupa and external providers. Bupa's Centre Risk oversees the risk management of this risk exposure, and Bupa's Centre Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements.

22.2 Market risk

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

The Company actively manages price risk by ensuring that the majority of its cash and investments are held with highly rated credit institutions.

Where the Company has moved away from money market investments and invested in a limited portfolio of absolute return assets (principally corporate bonds), the Company uses a value at risk analysis (VaR95) to quantify, taking account of asset volatility and correlation between asset classes. This portfolio was £293,554k at 31 December 2016 (2015: £264,751k) and the 1 year VaR figure at a 95% confidence level attributable to the portfolio is £24,500k at 31 December 2016 (2015: £19,200k).

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

Foreign exchange risk

The Company is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Company is exposed to both transaction and translation risk.

Transactional exposures arise as a result of differences between the currency of local revenues and costs. Key exposures are to the US dollar, euro and Danish krone.

A programme is in place to hedge a significant proportion of material currency exposures using forward foreign exchange contracts. These contracts are not designated hedges, but reduce the impact of foreign exchange volatility on the Company's economic balance sheet and corresponding Solvency II capital position. The remaining currency exposures are deemed to be acceptable but are kept under review by management.

Forward currency contracts are used to hedge foreign exchange exposure to the US dollar, euro, Danish krone, Singapore dollar and Hong Kong dollar.

A US dollar balance sheet translation exposure of £35,206k ($43,462k) (2015: £21,690k ($31,958k)), a Danish krone exposure of £1,139k (DKK 9,914k) (2015: £2,441k (DKK 24,699k)) and a euro translation exposure of £43,447k (€50,846k) (2015: £80,165k (€108,703k)) arise from foreign operations within the Company’s US dollar, Danish krone and euro books of business that are part of the IPMI business.

The Company also entered into forward currency contracts with a view to fully hedging the foreign portion of the investment portfolio. The value of the hedges are adjusted to reflect the most recent valuations of the investments. As at 31 December 2016 the notional value of these hedges was US dollars of £56,744k ($70,050k) (2015: £60,421k ($89,025k)) and euro of £64,154k (€75,079k) (2015: £81,969k (€81,969k)).

The carrying value of net assets categorised by material currencies is as follows:

	2016	2015
	£'000	£'000
Euro	43,447	80,165
US dollar	(35,206)	(21,690)
Danish krone	1,139	2,441
Swiss franc	(6,622)	1,544
Australian dollars	(310)	(449)
Other	(1,614)	1,541
Total foreign currency denominated net assets	834	63,552

The following exchange rates applied during the financial year:

	Average rate		**Closing rate**	
	2016	2015	**2016**	2015
US dollar	1.3547	1.5288	1.2345	1.4734
Euro	1.2234	1.3782	1.1703	1.3560
Danish krone	9.1092	10.2797	8.7032	10.1194
Australian dollar	1.8234	2.0370	1.7106	2.0210
Swiss franc	1.3339	1.4718	1.2557	1.4729

The impact of a hypothetical 10% strengthening and weakening of Sterling against the currencies below, with all other variables constant, would have increased / (decreased) profit before taxation and reserves by the amounts shown below:

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

	Strengthening 10% (Losses)/gains included in profit and loss account	Weakening 10% Gains/(losses) included in profit and loss account
	£'000	£'000
2016		
US dollar	24,375	(29,791)
Euro	1,176	(1,437)
Danish krone	586	(716)
Hong Kong dollar	(1,549)	1,893
Singapore dollar	(1,909)	2,333
Other	413	(505)
Total sensitivity	**23,092**	**(28,223)**
2015		
US dollar	2,281	(2,788)
Euro	(651)	796
Danish krone	(498)	608
Other	(274)	334
Total sensitivity	858	(1,050)

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 Company is exposed to interest rate risk arising from fluctuations in market rates. This affects both the return on floating rate assets, the cost of floating rate liabilities and the balance sheet value of its investment in fixed rate bonds. Floating rate assets represent a natural hedge for floating rate liabilities. The net balance on which the Company was exposed as at 31 December 2016 was £826,502k (2015: £1,103,636k).

The Company's sole interest bearing financial liability is the £330,000k subordinated debt (see note 17). This is a fixed interest liability which has no repayment date, however the interest rate is due to be reset in 2020.

The impact of a hypothetical rise of 100 bps (2015: 100 bps) in interest rates at the reporting date, on an annualised basis, would have increased profit and reserves by £1,730k (2015: £1,975k). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The impact of a hypothetical fall of 100 bps (2015: 100bps) in interest rates on an annualised basis would have the inverse effect to that stated in the previous paragraph.

22.3 Credit risk

Credit risk is the risk that the Company will suffer a financial loss as a result of a counterparty failing to meet all or part of their contractual obligations. Bupa Group Treasury manages the Company's credit risk under the guidance of the Investment Committee.

Investment exposure with external counterparties is managed by ensuring there is a sufficient spread of investments and that all counterparties are rated at least 'A' by two of the three key rating agencies used by the Company (unless specifically approved by the Investment Committee).
The investment profile at 31 December is as follows:

	2016 £'000	2015 £'000
Investment grade counterparties	875,878	1,228,370
Non-investment grade counterparties	112,000	111,984
Total	987,878	1,340,354

Investment grade counterparties include cash at bank and in hand of £242,556k (2015: £181,134k). The investments which are held with non-investment grade counterparties are classed as shares and other variable yield securities. Non-investment grade counterparties are those rated below BBB- / Baa3.

Information regarding the ageing of financial investments, assets arising from insurance operations, and the value of the impairment made against these assets, is provided below:

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

2016	Neither past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months - 1 year £'000	Greater than 1 year £'000	Impairment £'000	Total carrying value £'000
Debt securities and other loans	402,032	-	-	-	-	-	402,032
Pooled investment funds	121,110	-	-	-	-	-	121,110
Deposits with credit institutions	222,180	-	-	-	-	-	222,180
Reinsurers' share of insurance provisions	49,753	-	-	-	-	-	49,753
Debtors arising out of insurance operations[1]	602,356	91,687	9,219	16,955	-	(2,171)	718,046
Other debtors	109,882	-	-	-	-	-	109,882
Total	1,507,313	91,687	9,219	16,955	-	(2,171)	1,623,003

2015	Neither past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months - 1 year £'000	Greater than 1 year £'000	Impairment £'000	Total carrying value £'000
Debt securities and other loans	364,691	-	-	-	-	-	364,691
Loans to Bupa Group undertakings	200,501	-	-	-	-	-	200,501
Pooled investment funds	70,162	-	-	-	-	-	70,162
Deposits with credit institutions	523,866	-	-	-	-	-	523,866
Reinsurers' share of insurance provisions	47,568	-	-	-	-	-	47,568
Debtors arising out of insurance operations[1]	575,530	41,165	4,496	4,234	471	(1,879)	624,017
Other debtors	60,294	-	-	-	-	-	60,294
Total	1,842,612	41,165	4,496	4,234	471	(1,879)	1,891,099

[1] Comprises debtors arising out of policyholder and intermediary insurance operations and reinsurance operations.

The carrying amount of the financial investments and assets arising from insurance operations shown above of £1,623,002k (2015: £1,891,099k) included on the Balance Sheet, represents the maximum credit exposure.

The movement in the allowance for impairment in respect of financial investments and assets arising from insurance operations during the year was as follows:

	2016 £'000	2015 £'000
At beginning of year	1,879	2,986
Impairment loss recognised	455	153
Bad debt provision	(58)	(1,266)
Foreign exchange	(105)	6
Total	2,171	1,879

22.4 Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due.

The Company enjoys a strong liquidity position and adheres to strict liquidity management policies as set by its Investment Committee.

Liquidity is managed by currency and by considering the segregation of accounts required for regulatory purposes.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

The contractual maturities of financial liabilities and the expected maturities of other liabilities including estimated interest payments of the Company as at 31 December are as follows:

2016	Sub-ordinated liabilities £'000	Provision under insurance contracts issued £'000	Creditors arising out of insurance operations £'000	Other creditors £'000	Derivative liabilities £'000	Total £'000
2017	20,625	1,276,633	44,011	139,655	41	1,480,965
2018	20,625	-	-	-	-	20,625
2019	20,625	-	-	-	-	20,625
2020	344,635	-	-	-	-	344,635
2021	-	-	-	-	-	-
2022-2026	-	-	-	-	-	-
After 2026	-	-	-	-	-	-
Total	406,510	1,276,633	44,011	139,655	41	1,866,850
Carrying value	335,912	1,276,633	44,011	139,655	41	1,796,252

2015	Sub-ordinated liabilities £'000	Provision under insurance contracts issued £'000	Creditors arising out of insurance operations £'000	Other creditors £'000	Derivative liabilities £'000	Total £'000
2016	20,625	1,223,822	25,548	91,922	2,307	1,364,224
2017	20,625	-	-	-	-	20,625
2018	20,625	-	-	-	-	20,625
2019	20,625	-	-	-	-	20,625
2020	344,635	-	-	-	-	344,635
2021-2025	-	-	-	-	-	-
After 2025	-	-	-	-	-	-
Total	427,135	1,223,822	25,548	91,922	2,307	1,770,734
Carrying value	336,030	1,223,822	25,548	91,922	2,307	1,679,629

The Company manages the investment profile to ensure there is adequate liquidity available for the efficient operation of the business. Investments are placed to ensure an appropriate match to liabilities as they fall due. The maturity profile of financial assets at 31 December is as follows:

2016	Cash at bank and hand £'000	Deposits with credit institutions £'000	Government debt securities £'000	Corporate debt securities and other loans £'000	Pooled investment funds £'000	Loans to group undertakings £'000	Total £'000
2017	242,556	121,669	-	60,302	39,841	-	464,368
2018	-	35,085	-	112,482	81,269	-	228,836
2019	-	65,426	-	163,165	-	-	228,591
2020	-	-	-	-	-	-	-
2021	-	-	-	14,916	-	-	14,916
2022-2026	-	-	23,618	27,550	-	-	51,168
After 2026	-	-	-	-	-	-	-
Total	242,556	222,180	23,618	378,415	121,110	-	987,879

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

2015	**Cash at bank and hand**	**Deposits with credit institutions**	**Govern-ment debt securities**	**Corporate debt securities and other loans**	**Pooled invest-ment funds**	**Loans to group under-takings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2016	181,134	383,067	-	90,080	34,969	200,501	889,751
2017	-	70,580	-	35,015	-	-	105,595
2018	-	35,101	-		-	-	35,101
2019	-	35,118	-	12,920	-	-	48,038
2020	-	-	-	36,868	35,193	-	72,061
2021-2025	-	-	27,082	162,726	-	-	189,808
After 2025	-	-	-	-	-	-	-
Total	181,134	523,866	27,082	337,609	70,162	200,501	1,340,354

23. Capital management

The Company's capital management objective is to maintain sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of all of its customers, investors, regulator and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development.

The Company manages its capital resources in line with the Group's Capital Management Policy, which is reviewed on an annual basis.

The Company has issued a £330m (2015: £330m) callable subordinated perpetual loan. This loan is accounted for as a liability in these financial statements but is, to the extent that it is eligible treated as solvency capital for regulatory and management purposes.

The Company's capital position is kept under constant review and is reported monthly to the Board.

Since 1 January 2016, the Company has been subject to the requirements of the SII Directive and must hold sufficient capital to cover its SCR. In addition the Company maintains a buffer in excess of this capital requirement, specified in line with the capital risk appetite agreed by the Board. The SCR is calculated in accordance with the Standard Formula specified in the SII legislation. The Company has obtained approval from the PRA to substitute the premium risk parameter in the formula with an Undertaking Specific Parameter (USP) which reflects the company's own loss experience.

At least annually, the Company 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 Company's actual risk profile.

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

The Company's Eligible Own Funds, determined in accordance with the SII valuation rules, were £433m[1] (2015: £761m) which was in excess of the estimated SCR of £271m[1] (2015: £252m). This represented a solvency coverage ratio of 160%[1] (2015: 302%). This decrease in coverage is due to moving towards capital levels more in line with the Board Risk appetite in accordance with the approved dividend policy.

Other than disclosed above there have been no changes to what is managed as capital or the Company's capital management objectives, policies or procedures during the year.

[1]The Solvency Capital Position and related disclosures are estimated and unaudited values.

Notes to the financial statements (continued)
for the financial year ended 31 December 2016

24. Contingent liabilities, guarantees and other financial commitments

(i) Contingent liabilities

The Company has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, from which it is anticipated that the likelihood of any material unprovided liabilities arising is remote.

(ii) Guarantees

On 15 December 2004, Bupa Finance plc issued £330,000k callable subordinated perpetual guaranteed bonds on the London Stock Exchange. Bupa Insurance Limited acted as the guarantor in the issue, irrevocably guaranteeing the bond on a subordinated basis. Were the Company to repay part or all of the guaranteed bonds, the amount would be deducted from balances owed to Bupa Finance plc.

(iii) Financial commitments

The Company had no financial commitments at the Balance Sheet date.

25. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Bupa Finance plc, a company incorporated in England and Wales.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited (Bupa), a company incorporated in England and Wales. The consolidated financial statements of Bupa are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc.

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