Bupa: full year statement for the year ended 31 December 2015

STEADY PROGRESS IN CHALLENGING CONDITIONS

- o Revenue £9.8bn, up 6% at constant exchange rates (CER)[1]; up 1% at actual exchange rates (AER)[2]
- o Underlying profit[3] before taxation £582.5m down 2% at CER; down 9% at AER (2014 FY: £637.8m)
- o Statutory profit before taxation £374.3m, down 39% at AER (2014 FY: £609.2m)
- o 32.2m customers, up 12%, including 7.3m from joint ventures and associates (2014 FY: 28.7m)
- o Net cash flow from operations of £788.1m stable at AER (2014 FY: £789.5m)
- o Well capitalised with Solvency II capital coverage ratio of 180%

Stuart Fletcher, CEO of Bupa, commented:
"We made steady progress this year, despite challenging economic conditions and political and regulatory changes in a number of our markets. By focusing on meeting the needs of customers across our diversified geographic footprint covering health insurance as well as providing health and care, we maintained strong market positions and grew revenue and customer numbers in 2015.

We delivered underlying profit growth across most of Bupa, with growth in Australia and New Zealand, the UK, International Development Markets and Bupa Global. Regulatory change in Spain has impacted group underlying profit, but this aside, group profit performance is encouraging. 2015 was another period of strong cash generation and, as we have no shareholders, this is available to reinvest into the business.

Our focus on making a positive impact on the environment led to a 23% reduction in absolute carbon emissions compared to our 2009 baseline, exceeding our target of 20% reduction while revenue has grown by more than 40% over the same period.

We continue to invest for the future, growing our sales and marketing capabilities and developing products and partnerships to meet the needs of our customers, with a particular focus on digital tools and services. This, combined with our international scale, market-leading positions, strong brand and robust financial management, means we are positioned for continued sustainable revenue and profit growth."

<u>Performance</u>

- o Grew revenue 6% in 2015, with good progress in Australia and New Zealand (up 8%), the UK (up 5%); Spain and Latin America Domestic 9% and International Development Markets (IDM) (up 8%). In Bupa Global, revenue was down 5%, reflecting the decisions taken over 2013 and 2014 to exit from non-strategic markets and re-price previously loss-making corporate accounts, some of which chose not to renew.
- o Customer numbers increased 12% to 32.2m with strong contributions from across Bupa, particularly the UK (up 28%) due to growth in numbers of health insurance customers and IDM (up 13%), primarily driven by growth in Saudi Arabia.
- o Delivered solid underlying profit growth across most of Bupa with Australia and New Zealand up 2%, the UK up 4%, IDM, up over 100%, and Bupa Global up 2%. Following a change in legislation resulting

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[1] Constant Exchange Rates (CER) are used to aid comparison and provide clarity on trading performance. All figures presented are CER unless otherwise stated.

[2] Actual Exchange Rates

[3] Underlying profit is based on reported profit before taxation expense, adjusted for non-underlying items to reflect trading performance (see Financial Review, non-underlying profit items, for further details). Group underlying profit includes central expenses and net financial expense which have not been allocated to Market Units.

in a more negative outlook for our Public Private Partnerships (PPPs) in Spain, we have recognised a non-cash adjustment of £52m to reflect the reassessed profitability over the life of the contracts. This was the primary cause of a 40% decrease in underlying profit for Spain and Latin America. As a consequence, group underlying profit overall was down 2%.

- As a result of ongoing funding pressures experienced by local authorities and the impending introduction of the National Living Wage in the UK, there has been a partial write down to the value of our Care Services UK business with an impairment to goodwill and write down in property and equipment. This impacted statutory profit by £181.9m, down 39% at AER.

Operational highlights

- Purchased an additional 17.3% shareholding in Bupa Chile in December, increasing our shareholding to 73.7%. In 2016, we further increased our stake to 100%.
- Launched new tiered international health insurance products in the UK, Hong Kong, Mexico and Chile.
- Introduced innovations in digital health insurance, health and wellness including the Blue Room (Australia), Bupa Boost (UK), Blua and Sanihub (Spain).
- Expanded our dental businesses with 18 new centres in Australia, six in the UK and eight in Spain, bringing our total to 628[4] globally.
- Exceeded our 2010 target of reducing our carbon footprint by 20% from a 2009 baseline achieving a 23% absolute reduction even with over 40% revenue growth over the period.

Financial position

- Well-capitalised under Solvency II regime, following approval of an insurance premium risk parameter specific to Bupa, with 180% coverage of the Solvency Capital Requirement (SCR).
- Strong capital position maintained with 267% coverage of Insurance Groups Directive (IGD) capital requirement (2014 FY: 319%).
- Leverage ratio steady at 27.7% (2014 FY 27.6%)
- Key credit ratings maintained with Fitch (A-) and Moody's (Baa2). Moody's outlook moved from stable to positive during the second half of the year.
- Operating cashflow remains strong at £788.1m (2014 FY: £789.5m).

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[4] This includes 192 sites that are both dental centres and health or wellbeing clinics.

About Bupa

Bupa's purpose is longer, healthier, happier lives.

As a leading global health and care company, we offer health insurance, medical subscription schemes and other health and care funding products; we run care homes, retirement and care villages, primary care, diagnostic and wellness centres, hospitals and dental clinics. We also provide workplace health services, health assessments and long-term condition management services.

Approximately 71% of Bupa's revenue is from health insurance, with the balance coming from health and care provision. This includes our 17 hospitals, 320[5] clinics, 456 care homes and 37 retirement villages, 628[5] dental centres, and 36 optical outlets.

We employ 84,000 people and have 32 million customers in 190 countries, principally in the UK, Australia, Spain, Poland, New Zealand and Chile, as well as Saudi Arabia, Hong Kong, India, Thailand and the US.

With no shareholders, we reinvest our profits to provide more and better healthcare and fulfil our purpose.

To read more about our business around the world visit www.bupa.com

[5] This includes 192 sites that are both dental centres and health or wellbeing clinics.

CEO's review

Performance

In 2015, we focused on driving performance by innovating to meet the needs of our customers, with a particular focus on continuous improvement of customer experience and making health and care more affordable and accessible.

The operating environment was challenging in many of our markets, but we continued to grow and maintain our strong market positions. We delivered revenue growth, up 6% to £9,828.4m with good progress in our Market Units. Customer numbers grew 12% to 32.2m, with a particularly strong contribution from the UK Market Unit, where health insurance customers grew significantly during the year, partly as a result of our strategic partnership with Benenden. Growth in Bupa Arabia also contributed to increased customer numbers.

We delivered solid underlying profit growth across most of Bupa with Australia and New Zealand, the UK, IDM, and Bupa Global all up. Political and regulatory changes in Spain, particularly the changing sentiment towards private participation in public services, have impacted the outlook for our PPPs. As a result, we have made a non-cash adjustment of £52m to reflect reassessed profitability over the life of the contracts (including previously reported profits). This was the key factor behind the 2% fall in group underlying profit.

Cash generation remained strong during the period. Our status as a company limited by guarantee, with no shareholders, means that this is all available to reinvest into the business in service of our purpose.

Statutory profit was down 39% at AER due mainly to the impact of the impending introduction of the National Living Wage in the UK from April 2016, which represents a significant increase in the operating costs of UK care homes. This, combined with ongoing funding pressures experienced by local authorities, means there are significant margin pressures in the UK care services market. Although we are actively renegotiating fees to ensure that they cover the true costs of care, we cannot at this stage be confident we will mitigate the impact in its entirety. As a result, there has been a partial write down of the value of our UK care services business. This impacts our statutory profit by £181.9m.

In 2010, we committed to reduce absolute carbon emissions by 20% by 2015 versus our 2009 baseline, so this was a significant year for our carbon reduction programme. I am delighted to say that we exceeded this target, delivering a 23% reduction over the six year period, at the same time as growing the business by over 40% in revenue, tripling our customer numbers and employing 32,000 more people. During 2014 and 2015, we invested a total of £50m through our Energy Saver Fund, which we created for projects that deliver a reduction in ongoing operating costs as well as in carbon. Over 950 projects with strong investment returns were implemented over the two years, including more than 230 solar installations on our buildings in 2015. We purchased electricity from certified renewable sources, which now accounts for more than 35% of our annual electricity consumption.

During 2015, a substantial amount of work was carried out to prepare for Solvency II implementation which came into force on 1 January 2016. We strengthened our understanding of risks and risk management and developed the Bupa-specific premium risk parameter. This was approved by the Prudential Regulation Authority in November in recognition of our size, experience and geographical diversity, and enables us to reduce capital requirements compared with the Standard Formula.

We are focused on improving the customer experience across the business, in line with our ambition to become the most trusted and recommended health and care company in the world. This included redesigning the customer journey for our Global Health propositions in Bupa Global, and proactively contacting our customers in Australia to gain feedback and shape product development and process improvements.

Healthcare partner to millions more people

We are growing our provision businesses across a number of geographies. In dental we added 18 new centres in Australia, six in the UK, and eight in Spain, bringing our total to 628 globally. We have expanded in aged care with new homes or services in all of our care services businesses. In Australia, we are piloting services in general practice and hearing loss. In November, we opened our second GP Clinic in Sydney and over the course of the year, we launched Bupa Hearing in three of our retail stores in Melbourne.

We are focused on innovating to meet the needs of our customers with an increased focus on digital products and services. We launched Bupa Boost in the UK, a digital platform for employers to engage their entire workforces in health and wellbeing. In Spain, we introduced Blua, a health insurance product that enables customers to manage their health via their mobile devices and access medical consultations through video conference, as well as Sanihub, a pay-as-you-go marketplace for health services. We created online health and care hubs in Australia (the Blue Room) and Spain (Muy Saludable) to provide a wide range of health and wellbeing advice and information. These are available to everyone, not just our customers, helping us to engage millions more people in their health and wellbeing.

We are growing our partnerships with others. In the UK, we signed a major partnership agreement with Benenden Health to provide underwriting, customer service and claims management to their 900,000 members. In Spain, we partnered with Santa Lucia, a leader in family protection insurance, to develop four new products for our customers. Our partnership with Hang Seng Bank in Hong Kong is performing well. In the US, we are deepening our engagement with the Blue Cross Blue Shield Association.

We have purchased additional shares in Bupa Chile, taking our ownership to 73.7% at the year end. In 2016, we increased this to 100%. This creates a strong foundation for us to become a healthcare partner to people in Chile and Latin America more broadly.

In May, we announced a new partnership with the global NCD (non-communicable diseases) Alliance – a network of 2,000 organisations working to prevent diseases such as cancer, diabetes and heart disease. This partnership is focused on encouraging employers to become more active partners in their people’s health and wellbeing and complements our existing partnerships with the World Heart Federation, Union for International Cancer Control and Alzheimer’s Disease International.

With over half of the world’s population in employment and spending more time at work than ever before, we believe workplaces have the potential to transform health. Our Hearts at Work campaign, developed in partnership with the World Heart Federation, saw over 125,000 people take our free heart age check across Australia, Poland, Chile, Spain and the UK. In Spain, our Madrid Healthy City project is bringing together businesses to create a healthier environment and healthier workforces, measuring participants’ cardiovascular risk and providing tailored health recommendations to help them reduce it. In April, we formally launched our global Chief Medical Officer (CMO) Network, bringing together CMOs from 40 companies across a range of sectors including technology, pharmaceutical, financial services and FMCG. Together we are exploring how we can combine our experience to improve employee health and wellbeing.

A place where our people love to work

Each and every one of our 84,000 people makes the difference. They contribute in extraordinary ways every day to deliver on our purpose. This year we have strengthened our focus on our Bupa values – caring, accountable, authentic, passionate, open, courageous and extraordinary. They are key to driving performance and delivering our purpose.

We want Bupa to be one of the very best employers in the world - we have a compelling purpose and with no shareholders, reinvest profits to provide more and better health and care. We want our people to love working at Bupa and be healthier and happier for it. In the past year, our employee engagement index has increased by 3% to 71%. Our commitment to continual performance improvement, a culture of ongoing communication and feedback, as well as employee health and wellbeing programmes have helped to deliver this.

Personal growth is vital to our success and I'm proud of our talented people working together to deliver funding and provision of health and care, to drive sustainable, profitable, purposeful growth. This year there was a 10% increase in the completion of online learning activity with 50,000 of our employees having access to our global online learning platform. We have also further strengthened our focus on talent management and succession planning, building deeper and more diverse pipelines of future leaders.

Our success is a result of the efforts of each and every one of our 84,000 people as well as our many partners, who are an essential part of what we do every day. I thank our people for their hard work and dedication and our customers for putting their trust in us, and I appreciate the contribution of our partners.

Outlook

Looking forward, we anticipate market conditions will remain challenging, particularly in Australia, the UK, and Spain. However, our strategic discipline, international scale, strong brand and market-leading positions, supported by our robust balance sheet, mean we are positioned for continued sustainable revenue and profit growth.

MARKET UNIT PERFORMANCE

Australia and New Zealand

	Revenue	Underlying Profit	Customers
FY 2015	£3,648.4m	£279.5m	6.2m
FY 2014 (CER)	£3,372.0m	£275.0m	5.7m
% growth (CER)	8%	2%	9%

Operating environment

The Australian economy is growing more slowly than historically, with consumer and business confidence remaining unsettled. We are seeing increasing downgrades and discontinuances in health insurance as affordability pressures continue, price comparators which are focused on budget offerings extend their influence, the cost of care increases and competition intensifies. These forces are driving margin pressure across the industry.

In New Zealand, government health policies encouraging care at home have led to lower care home occupancy across the sector. In Australia, we have focused on mitigating the effect of the removal of dementia and payroll tax supplements, implemented on 1 January 2015. In both Australia and New Zealand where the majority of revenue in our aged care businesses is government linked[6], annual wage increases are higher than the below inflation increases in Government funding.

Throughout the year, we contributed to a range of major Federal Governmental reviews of the health sector, including the private health insurance, primary healthcare and aged care sectors, focused on the long-term affordability of the system. The Australian Government is currently undertaking a review of health insurance and is expected to announce its policy intentions during 2016.

During 2015, prudential supervision of our Australian insurance business transferred to a new regulator, Australian Prudential Regulation Authority (APRA). In 2016, we will be monitoring any changes to the regulatory regime and potential impact on Bupa.

Performance

Our focus this year has been on the long-term affordability of health insurance, improving customer experience across all business areas, and enhancing digital capability. We are expanding our provision businesses through acquisitions, opening new aged care homes and developing new services. As a result, we saw good revenue growth over the year, up 8% overall with growth in all four business units. Customer numbers also increased to 6.2m, up 9%. In our health insurance business, we increased resources in our retention teams to proactively reach out to customers. We also introduced a range of initiatives to enhance the customer experience and improve customer retention, including real-time credit card payments. Underlying profit, up 2%, benefited from this focus, showing good year-on-year growth, particularly in light of the previously reported risk margin release in 2014[7].

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[6] Around 70% in Australia and 85-90% in New Zealand.

[7] In 2014, profit benefited from a change in regulation which enabled us to reassess the funds held as a risk margin against the provision for claims.

We continued to grow our aged care business across Australia and New Zealand by opening new homes. As a result, our occupancy dropped marginally, as new homes take time to reach full occupancy, to 89.1% in New Zealand and to 92.9% in Australia.

We acquired 18 dental practices across Australia and branded nine clinics as Bupa Dental. We opened six Bupa Optical stores. Bupa Medical Visa Services expanded to include medical assessments in Australia for visa applicants to Canada and New Zealand. We launched a pilot of Bupa Hearing[8] in three of our retail stores in Melbourne, and in the second half of the year, we opened our second GP clinic in Sydney. Our new digital Blue Room, provides a wide range of health and wellbeing advice and information. Launched in May, it is available to everyone, not just our customers.

We are focused on improving customer experience to mitigate the impact of the sector-wide trends for downgrades and discontinuances in the insurance business. In our provision businesses, we have enhanced sales capability to give our customers a consistent experience across all of our products and services.

UK

	Revenue	**Underlying Profit**	**Customers**
FY 2015	£2,857.8m	£182.6m	5.1m
FY 2014	£2,711.2m	£175.0m	4.0m
% growth	5%	4%	28%

Operating environment

While the UK health insurance market has seen an overall decline in the last decade, in 2015 we saw some growth in the Corporate segment, as a number of large companies extended Private Medical Insurance (PMI) coverage across their whole workforce. However, the increase in Insurance Premium Tax (IPT), effective from November 2015, has reduced the affordability of health insurance. We are working across the sector to stimulate reform in the private health care industry and improve affordability for customers. We are focused on containing healthcare costs, including those charged by private hospitals, which are the biggest element of total costs.

In aged care, public funding pressures in the UK mean that local authority fees for care services are often below the true cost of delivering care, which is then compounded by the impact of inflation on operating costs. We are supportive of the move to a National Living Wage for our people. This will however increase the cost of delivering care and we are making the case to the government that fees from local authorities will need to increase to cover this additional cost. We are increasingly taking a firmer line when negotiating contracts with local authorities to ensure that we recover the true cost of caring for our residents.

Performance

Our priority in 2015 was on growing our business by meeting customers' changing needs and making private healthcare more affordable and accessible. Revenue increased by 5% with growth across all UK business units for the first time in five years. This was particularly driven by health insurance, which saw improved rates of customer retention, and growth in new business in the small and medium-sized enterprises (SME) and corporate segments. This was partially offset by the continued, but lower rates of, decline in the individual

[8] Bupa Hearing supports customers dealing with hearing loss.

health insurance segment. Home Healthcare[9] contract wins and growth from dental centres acquired in 2014 also made a positive contribution to revenue. Overall UK customer numbers grew by 28%, a significant proportion of which was due to our strategic partnership with Benenden and two large corporate expansions. Underlying profit growth was 4%, despite occupancy in care services marginally decreasing to 86.3%, due to strong management of operating and healthcare costs and growth in our health insurance business, Home Healthcare and Richmond Villages.

The ongoing funding challenges in the care sector, compounded by the introduction of the National Living Wage in the UK from April 2016, contribute to significant pressures on margins. As we cannot at this stage be confident we will mitigate the whole of the impact, there has been a partial write down of the value of our care services business. This is comprised of goodwill impairment of £114.1m and a write down in the value of property and equipment of £179.7m, of which £67.8m has been recognised in the Income Statement, with the balance being taken to the revaluation reserve.

This year we have continued our drive to improve affordability for health insurance customers. We successfully negotiated the lowest price increases from major hospital providers that we have had for the last five years, which resulted in lower premium increases for our customers. Our focus on containing premium increases has helped us achieve record levels of customer retention for the past decade and has given a number of our major corporate customers the confidence to extend their schemes to the whole of their workforce.

We remain committed to further improving and extending our range of services for older people. We completed 27 care home refurbishments during the year and in December, we acquired Hadrian Healthcare Limited, which is comprised of five purpose-built care homes and two development sites. Richmond Villages has continued its strong performance this year, with the expected completion of Richmond Witney bringing our portfolio to six villages in 2016.

As part of our focus on meeting the changing healthcare needs of our customers, we continue to invest in digital innovations, new propositions and making healthcare more affordable. We partnered with *babylon*[10] to provide virtual healthcare services via a smartphone or tablet and launched Bupa Boost, a digital platform for UK employers to engage their entire workforces in health and wellbeing. We launched a first-of-its-kind cancer self-referral service for breast and bowel cancer, allowing our customers quick, direct access to specialist diagnostics without the need for a GP referral. In 2015, we acquired five dental clinics, growing our service to 31 dental clinics across the UK, providing high quality and affordable dental care for our customers. We opened our flagship health and dental clinic at Crossrail Place, Canary Wharf, to meet the everyday healthcare needs of more people in Central London.

Spain and Latin America Domestic

	Revenue	**Underlying Profit**	**Customers**
FY 2015	£1,824.5m	£70.1m	5.2m
FY 2014 (CER)	£1,679.4m	£117.6m	4.9m
% growth (CER)	9%	(40%)	6%

[9] In February 2016 we agreed to sell Bupa Home Healthcare to Celesio.

[10] *babylon* is a personal health service that offers users video consultations with local doctors and access to prescriptions via a mobile app.

Operating environment
Economic conditions are improving in Spain and, although still a challenging environment, the economy has outperformed GDP growth forecasts and unemployment rates have fallen. However, the Spanish health insurance market saw lower growth rates when compared to historic levels and is experiencing intense price competition.

The operating conditions for PPPs have become more challenging, driven by decisions made by regional governments in a context of budget constraints and political change. The Valencian Regional Department of Health introduced a new regulation; the "Free Choice Act". This came into force in May and allows people from the catchment area of our Manises hospital greater flexibility to choose other hospitals for primary and specialised care, adversely impacting our revenue.

In Chile, despite a slowdown in GDP, growth forecasts are positive and unemployment rates are low at 6.3%. However, the country is seeing lower mining activity and stagnant private spending. There are ongoing discussions on the reform of the Isapres health insurance system in Chile and we are actively engaged with the government on this. We have experienced increasing numbers of customers challenging their premium increases via the courts, as the costs to them from doing so have been very low. More recently, the government reduced the legal subsidies for such court cases which should reduce the number of challenges in the coming year.

Performance
This year we have focused on innovation and new product development to meet our customers' needs, as well as responding to the political uncertainty affecting PPPs by demonstrating clinical excellence and cost-efficiency to local governments. Revenue increased by 9% over the year, driven by a continued strong performance from Sanitas Dental, as well as the full year contribution of our 2014 acquisitions, Bupa Chile and the Virgen del Mar hospital[11]. Customer numbers increased 6%, benefitting from the full year contribution of our 2014 acquisitions, and Sanitas Dental where we reached one million dental insurance customers. We saw record occupancy in Sanitas Mayores[12], almost at full capacity with an average occupancy rate of 95.7%.

Health insurance made a strong contribution to profit, particularly due to action on claims costs. However, underlying profit for the Market Unit as a whole declined, primarily as a result of a non-cash adjustment to reflect a reassessment of the profitability of our PPPs. In Chile, increased operating costs and higher claims also impacted profit. We are investing for the long term in Latin America and have taken action to improve cost efficiency. In December, we purchased an additional 17.3% shareholding in Bupa Chile and since the period end, we have acquired a further 26.3% of the shares. This brought our total shareholding to 100%, giving us greater control over Bupa Chile and reinforcing our commitment to the Chilean market.

We launched a number of insurance products including digital products and services that allow our customers to manage their individual health needs wherever they are. This included Blua, a health insurance product that enables our customers to manage their health via their mobile devices and access medical consultations through video conference, and Sanihub, a pay-as-you-go marketplace for health services. In Chile, we introduced Salud Global, the first tiered range of international private medical insurance products in the Chilean market, in partnership with the Bupa Global Market Unit. We have launched Muy Saludable, a Spanish-language version of the Blue Room hub launched in Australia this year, and Care Well, a website focused on the care needs of people living with dementia.

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[11] We acquired Cruz Blanca Salud (now rebranded Bupa Chile) in February 2014. FY 2014 reflected only 10 months' contribution from the business. We acquired Virgen Del Mar in Madrid, in September 2014 so 2014 results reflected just four months' contribution from the hospital.
[12] Our aged care business, previously known as Sanitas Residencial.

International Development Markets

	Revenue	Underlying Profit / (loss)	Customers
FY 2015	£551.1m	£43.1m	13.7m
FY 2014 (CER)	£509.1m	£16.0m	12.1m
% growth (CER)	8%	169%	13%

Operating environment

Our International Development Markets (IDM) businesses have seen a number of economic and social factors affect the operating environment. Emerging markets saw slowing growth through 2015, with the challenges faced in the Chinese economy having knock-on effects on commodity prices, particularly oil.

In Saudi Arabia, the lower global oil prices are starting to impact on trading conditions, although we delivered very strong results during the period. In Poland, new laws voted through before the recent election saw positive developments in e-health and expansion of the responsibilities of nurses and midwives, which are favourable for our LUX MED business. The elections saw a new Government formed, creating potential uncertainty for some parts of the private healthcare sector.

In other markets including Hong Kong, India, and Thailand we are seeing some regulatory developments as a result of growing government recognition of the need to meet the changing healthcare demands of populations, while also funding the needs of their ageing societies.

In India, the government passed new legislation to liberalise foreign investment limits in insurance, raising the limit to 49%. As previously reported, we signed an agreement with Max India to increase our shareholding in our health insurance joint venture, Max Bupa, to 49%. Our application is now being considered by the regulatory authorities in India.

Performance

IDM performed very well in 2015, with good revenue growth, a double digit increase in customer numbers, and excellent profit growth of 169%. We are focused on growing and developing our existing markets while exploring opportunities to enter new territories where we see potential to deliver strong growth and increase healthcare choices for consumers. Expansion of our clinic and hospital network in Poland made good contribution to revenue[13], up 8% overall, supported by growth in our Hong Kong insurance business as a result of strong sales in the corporate sector and our distribution partnership with Hang Seng Bank. Growth in customer numbers was driven primarily by our businesses in Saudi Arabia and Poland. Despite Saudi Arabia's cooling economic conditions, Bupa Arabia made a very significant contribution to underlying profit due to growth in the Corporate and SME sectors.

This year we completed a series of acquisitions in Poland to strengthen our presence in the market and develop our clinical offering. In July we acquired Magodent, a leading Warsaw-based oncology provider with two hospitals and an outpatient clinic. This allows us to deliver the type of coordinated oncology care which we know makes a difference to outcomes for people living with cancer. We are expanding our clinic footprint in

[13] Revenue from our Bupa Arabia associate and Max Bupa joint venture are not included in our revenue figures. However, customer numbers and the appropriate share of profit from these businesses is included in our reported numbers.

Poland, extending our geographic reach to customers through organic growth and acquisition of new sites across the territory.

We have introduced a number of new products across both our insurance and provision businesses to meet our customers' needs. In Saudi Arabia, we launched a new wellness programme, Tebtom, a free telephone helpline offering customers access to doctors for advice on a diverse range of healthcare issues. This aims to improve health outcomes, drive customer loyalty and retention and raise awareness of Bupa as a healthcare leader. In Hong Kong, we launched Bupa Health Plus, a more flexible and affordable product that customers can tailor to their individual needs. We ended the year winning our largest ever corporate account in Hong Kong. In Poland, we continue to grow our fee-for-service clinics under the Profemed brand, offering a range of services including sports and rehabilitation services, dental treatment and aesthetic medicine.

Bupa Global

	Revenue	Underlying Profit	Customers
FY 2015	£947.5m	£103.9m	2.0m
FY 2014 (CER)	£995.9m	£102.2m	2.1m
% growth (CER)	(5%)	2%	(5%)

Operating environment

The market for international private medical insurance continues to grow, with an increasing number of people seeking access to premium healthcare at home or as they study, live, travel or work abroad. We anticipate that the continued growth of this customer segment will drive demand for both individual and corporate international private health insurance.

Bupa Global operates in a wide range of countries around the world, with differing legal and regulatory requirements. We remain focused on understanding the application of these requirements to our products and services as well as tracking and responding to any changes. We are seeing a trend towards mandatory health cover regimes in a number of countries and are monitoring these developments closely.

Performance

In Bupa Global, we have been focused on regionalising the business to better serve our customers in their own language, culture, and time zone, and launching our tiered international health insurance products. As previously reported, we are beginning to see the impact of our decision to exit non-strategic markets and re-price previously loss-making corporate accounts. The re-pricing has led, to some of those contracts lapsing. This had a positive impact on underlying profit which rose 2% year on year, although it contributed to a decline in revenue and customer numbers[14]. Revenue was also impacted by a challenging period for new sales in some segments.

Profit improved due to our focus on improving operational effectiveness, delivering cost efficiencies and reducing claims costs. This profit growth was achieved alongside significant investment in a programme of organisational change to enhance capabilities in sales, health and benefits, actuarial, and risk and compliance,

[14] Revenue from our Highway to Health associate is excluded from our reported figures. Customer numbers and the appropriate share of profit from this business are included in our reported numbers.

and to deliver our regionalisation strategy. In 2015 we completed the establishment of new operating regions for Greater China and the Middle East.

In the US, we are deepening our strategic global partnership with Blue Cross Blue Shield Association[15], which created the largest combined healthcare provider network ever formed in the IPMI market. The new global provider network became available in January 2015 through co-branded products sold outside of the US[16] to new Bupa Global customers, as well as existing customers transitioning to co-branded products throughout 2015.

We launched our international tiered products in seven markets in 2015: Chile, China, Mexico, Panama, Hong Kong, the UAE and the UK. A number of these launches were conducted in partnership with other Market Units to benefit from Bupa's in-market capabilities and brand presence.

We are now starting to see signs of positive momentum for revenue in the Market Unit, particularly in the Individual segment as a result of our investment in new sales capabilities, a positive contribution from our recently launched tiered products and the impact of our new distribution partnership with Hang Seng Bank.

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[15] Blue Cross Blue Shield Association is a national federation of 36 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 106 million members. Bupa Global is an independent licensee of the Blue Cross Blue Shield Association.

[16] Restrictions and limitations apply in some areas. See www.bupaglobalaccess.com for more information.

BUPA AROUND THE WORLD

Bupa is organised across five Market Units:

Australia and New Zealand

- *Bupa Health Insurance*, a leading health insurance provider in Australia, which also offers health insurance for overseas workers and visitors
- *Bupa Health Services*, our health provision business, which comprises Bupa Dental, Bupa Optical, Bupa Medical Visa Services, Bupa Medical TeleHealth and Bupa Medical GP Clinics
- *Bupa Aged Care Australia*, the largest privately-owned residential aged care provider, caring for almost 11,000 residents each year across 68 homes
- *Bupa Care Services New Zealand*, a leading aged care provider, caring for around 24,000 people a year in 59 homes, 31 retirement villages, seven rehabilitation sites and through its personal medical alarm network

UK

- *Bupa Health Funding*, offering health insurance and health funding products
- *Bupa Care Services*, caring for around 43,000 people each year in 288 homes and six retirement villages
- *Bupa Health Clinics,* wellness centres, clinics, occupational health services and dental clinics
- *Bupa Home Healthcare*, providing out-of-hospital healthcare services to around 40,000 patients[17]
- *Bupa Cromwell Hospital*, complex care hospital in London, providing care for insured, self-pay and international patients

Spain and Latin America

- *Sanitas Seguros*, the second largest health insurance provider in Spain
- *Sanitas Hospitales and New Services*, four private hospitals, 20 private medical clinics, 18 health and wellbeing centres and two PPPs in Spain
- *Sanitas Dental*, dental insurance services through 180 centres and third-party networks in Spain
- *Sanitas Mayores (previously known as Sanitas Residencial)*, caring for around 9,000 people every year in 40 care homes and three day care centres in Spain
- *Bupa Chile*, a leading health insurer and provider with three hospitals and 33 medical clinics, recently expanded provision operations to Peru (formerly Cruz Blanca Salud, acquired in February 2014)

International Development Markets (IDM)

- *Bupa Arabia,* an associate company in which Bupa has a 26.25% stake, and the largest health insurance business in Saudi Arabia
- *LUX MED,* the largest private healthcare business in Poland operating in health funding and provision
- *Max Bupa*, a 26:74 joint venture between Bupa and Max India Limited, offering private medical insurance
- *Bupa Hong Kong*, a leading specialist private health insurer in Hong Kong
- *Quality HealthCare*, a leading private clinic network in Hong Kong
- *Bupa Thailand,* a leading specialist health insurer
- *Bupa China,* our representative office in China

[17] In February 2016 we agreed to sell Bupa Home Healthcare to Celesio.

Bupa Global

International health insurance, travel insurance and medical assistance provided worldwide to individuals, small businesses and global corporate customers. Three operating units:

- *Bupa Global North America*, responsible for Bupa's (49%) investment in Highway to Health, Inc. in the US and the strategic global partnership with the Blue Cross and Blue Shield® (BCBS) Association, which created the largest combined healthcare provider network ever formed in the IPMI market
- *Bupa Global Latin America*, the largest provider of international health insurance in Latin America
- *Bupa Global Business Unit*, oversees our regional operations in Greater China and the Middle East, as well as Africa, South East Asia and Europe

PRELIMINARY ANNOUNCEMENT FINANCIAL REVIEW

Summary of results

Bupa's statutory profit before taxation was £374.3m (2014: £609.2m), with underlying profit before taxation of £582.5m (2014: £637.8m) at actual exchange rates (AER).

Year ended 31 December 2015 (AER)	2015 £m	2014 £m
Total Revenues	**9,828.4**	9,777.8
Underlying profit before taxation	**582.5**	637.8
Non-underlying items	**(208.2)**	(28.6)
Profit before taxation	**374.3**	609.2
Taxation	**(96.0)**	(86.4)
Profit for the period	**278.3**	522.8

Underlying profit declined by 2% at constant exchange rates (CER). This was primarily driven by a change in legislation resulting in a revised outlook for our PPPs in Spain, with a £52m adverse non-cash adjustment to reflect this reassessed profitability over the life of the contract in line with IFRIC 12[1].

After the impact of foreign exchange is considered, notably a weakening of the Australian dollar and the euro and a strengthening of the US dollar compared with sterling, underlying profit declined by 9%.

Our statutory profit of £374.3m was down 39% mainly due to ongoing funding pressures on local authorities and the impact of the impending introduction of the National Living Wage in the UK, resulting in an impairment of goodwill and a write down in the value of property and equipment in Care Services UK.

Non-underlying profit items

In order to reflect trading performance in a consistent manner year on year, we remove a number of non-trading items from our reported profit that limit comparability to arrive at underlying profit. These items are presented in the table below:

Year ended 31 December 2015 (AER)	2015 £m	2014 £m
Amortisation of intangible assets arising on business combinations	**(46.5)**	(51.5)
Impairment of goodwill and intangible assets arising on business combinations	**(114.1)**	(0.7)
Restructuring costs	**(1.1)**	(14.5)
Transaction costs on acquisitions and disposals	**(3.7)**	(5.4)
Realised and unrealised foreign exchange (losses)/gains	**(10.5)**	7.1
Net property revaluation losses[2]	**(61.7)**	(0.7)
Net (losses)/gains on disposal of businesses	**(0.1)**	27.1
Gains on return seeking assets, net of hedging	**7.0**	13.8
Deferred consideration in relation to the sale of Bupa Ireland Limited	**25.5**	-
Other[3]	**(3.0)**	(3.8)
Total non-underlying profit items	**(208.2)**	(28.6)

[1] Under IFRIC 12, which applies to service concession contracts such as PPPs, we use the average operating margin for the life of the contract (based on historic performance plus projections) as a means for recognising results. Once there is a change in performance compared to expectations, the operating margin is reassessed and an adjustment made to the current year results to bring the contract performance to date in line with the revised margin.
[2] Includes a write down in Care Services UK of £67.8m, of which there is an equipment write down of £8.7m
[3] Includes central non-underlying items, impairment of investment in associate and net losses on disposal of fixed assets

Non-underlying items for 2015 have a significantly greater impact than in 2014. Most notably, due to ongoing funding pressures experienced by local authorities and the impending introduction of the National Living Wage in the UK from April 2016, there has been write down in the value in our Care Services UK business. This is comprised of a partial impairment of goodwill of £114.1m and a write down in the value of property and equipment of £179.7m, of which £67.8m has been recognised in the Income Statement, with the balance being taken to the revaluation reserve.

The return seeking assets also generated lower gains of £7.0m (2014: £13.8m). We made various changes to our portfolio, which enhanced its risk return profile. In 2016, we will continue to actively manage the portfolio, consistent with our investment risk appetite and in line with our views of prospective asset class returns.

Receipt of deferred consideration of £25.5m in relation to the 2007 sale of Bupa Ireland Limited increases the 2015 results. The comparative benefit of this is broadly offset by profits on disposal of Health Dialog, Surgichem and Continuing Care in 2014.

2015 also benefits from lower restructuring costs, with 2014 impacted by Bupa Global transformation in particular.

As a result, our reported statutory profit before taxation was £374.3m, a 39% decline on 2014.

Taxation

Bupa's taxation expense of £96.0m (2014: £86.4m) represents an effective tax rate of 25.6%.

The effective rate is higher than the UK statutory rate of 20% mainly due to goodwill impairments and property write downs, offset by prior year credits. Stripping out the impairments, write downs and prior year credits, Bupa's 2015 current year effective tax rate is 23.7%, reflective of the prevailing corporate tax rates in the markets we operate in, ranging from 16.5% to 35%.

Funding

We manage our funding prudently to secure a sustainable platform for our continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa debt, over the long-term.

In 2015 there was a change to our Bupa Finance plc rating by Moody's from Baa2 (stable) to Baa2 (positive). The Fitch rating was unchanged at A- (stable).

Our continued focus on cash generation and repatriation enabled us to fund growth in the business and end the year with an undrawn £800m committed bank facility as well as holding £163m cash centrally.

We focus on managing leverage in line with our rating target. Leverage remained steady throughout the year, notwithstanding adverse currency movements and impairments impacting Bupa's net assets. At year end, leverage stood at 27.7% (2014: 27.6%), compared to 28.0% at half year. We have given notice, on 29 February 2016, to redeem our existing £235m care home securitisation via the early redemption option, funding through cash and bank borrowings.

Cash flow

Year ended 31 December 2015 (AER)	**2015 £m**	2014 £m
Net cash from operating activities	**788.1**	789.5
Net cash used in investing activities		
- Acquisition of subsidiaries, net of cash acquired	(156.3)	(199.3)
- Capital expenditure	(386.4)	(391.8)
- Financial investments and deposits with credit institutions	(226.0)	113.9
- Receipt of deferred consideration on disposal of Bupa Ireland Limited	25.5	-
- Other	47.9	104.5
	(695.3)	(372.7)
Net cash used in financing activities	**(70.9)**	(163.8)
Net increase in cash and cash equivalents	**21.9**	253.0
Cash and cash equivalents at beginning of year	**1,187.6**	939.7
Effect of exchange rate changes	**(15.4)**	(5.1)
Cash and cash equivalents at end of year	**1,194.1**	1,187.6

Net cash generated from operating activities remains strong at £788.1m (2014: £789.5m). This reflects the impact of the weakening Australian dollar on foreign currency operating cashflows offset by an increase in accommodation bond receipts in Australia due to regulatory change and accelerated opening of new homes in the year.

During the year we acquired a further 17.3% interest in Bupa Chile for £59.2m, building on our original acquisition of 56.4% in February 2014, which took our ownership to 73.7% at 31 December 2015. We issued a Mandatory Tender Offer for the remaining shares in the company, which closed in January 2016, increasing our shareholding to 99.7%. We acquired the final 0.3% shareholding in February 2016, bringing our ownership of Bupa Chile to 100%.

We have continued to invest funds in capital expenditure across Bupa including the continued expansion and refurbishment of our care homes.

Overall, cash used in investing activities has increased by £322.6m compared to 2014. An increase in cash invested in longer term deposits to achieve a better rate of return has more than offset the reduction in acquisition expenditure. We also received £25.5m in the period related to deferred consideration from the 2007 disposal of Bupa Ireland Limited.

Cash flows used in financing activities have decreased by £92.9m compared to 2014. The variance is due to debt restructuring in 2014, where £350m was raised through a senior unsecured bond issue, offset by a repayment of the £300m acquisition financing facility. In 2015 there have been no significant changes in borrowings.

We have maintained a strong cash position throughout the period. These funds, in addition to our financial investments and longer term deposits, continue to be managed conservatively, in line with a clearly articulated risk appetite. We actively manage our counterparty exposures as part of our ongoing risk management, and cash is only invested with counterparties rated A/A2 or higher, unless approved by the Investment Committee.

Bupa is conservative in its investment management and has a preference for low risk asset classes, with modest holdings of corporate and other bonds, therefore it is not significantly exposed to market movements.

Solvency

Bupa monitors its solvency capital on an ongoing basis and has continued to maintain regulatory capital well in excess of its requirements, both under the current regime as well as under Solvency II.

At 31 December 2015, the Insurance Group Directive (IGD) regime applied. Bupa's IGD capital resources were £2.3bn (2014: £2.6bn), which was in excess of a capital requirement of £0.9bn (2014: £0.8bn). This represented a solvency coverage ratio of 267% (2014: 319%).

Since 1 January 2016, the Group has been subject to the Solvency II Directive which supersedes the IGD and requires the Group to hold sufficient eligible Own Funds ("Own Funds") to cover its Group Solvency Capital Requirement ("SCR") which takes account of all the risks in the Group, including those related to non-insurance businesses. The Solvency II surplus capital as at 31 December 2015 is £1.4bn[4].

Solvency II Capital Position	**2015 £bn[4]**
Own Funds	3.1
Solvency Capital Requirement	1.7
Surplus / (Deficit)	1.4
Solvency Coverage Ratio	180%

Own Funds

Reconciliation of IFRS equity to Solvency II Own Funds	**2015 £bn[4]**
IFRS equity attributable to Bupa	**5.4**
Goodwill & Intangibles	(2.9)
Valuation differences	(0.1)
Pension surplus adjustment	(0.2)
Subordinated debt	0.9
Solvency II Own Funds	**3.1**

The key items of the reconciliation are:

- Goodwill and intangibles on the IFRS balance sheet are not recognised as Own Funds under Solvency II.
- Subordinated debt is treated as Own Funds under Solvency II but as a liability under IFRS.
- Pension surplus in excess of the pension risk contribution to the SCR is not included in Own Funds.

Capital Structure	**2015 £bn[4]**
Unrestricted Tier 1	2.2
Restricted Tier 1	0.4
Tier 2	0.5
Own Funds	**3.1**

[4] The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values.

The Group's Own Funds comprise the net assets valued on a Solvency II basis, exclusive of any non-controlling interests, together with eligible subordinated debt. The Group has £330m (fair value £382m) of callable subordinated perpetual guaranteed bonds and a £500m (fair value £502m) dated hybrid bond which matures in April 2023. These bond issues are accounted for as debt in the financial statements, but are treated as solvency capital for regulatory and management purposes.

Solvency Capital Requirement[4]

The Group SCR is calculated in accordance with the Standard Formula specified in the Solvency II legislation. Bupa has obtained approval from the Prudential Regulation Authority to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter ("USP") which reflects Bupa's own loss experience. Replacing the standard parameters for insurance premium risk with our own demonstrates the lower risk that Bupa's size, experience and geographic diversification brings.

Analysis of the Solvency Capital Requirement	**% of diversified SCR**[4]
Insurance Risk	**25%**
Market Risk	**60%**
Spread	3%
Equity	1%
Property	31%
Currency	12%
Pension Scheme	13%
Counterparty Risk	**3%**
Operational Risk	**12%**
	100%

The single largest risk component of Bupa's SCR is property risk which primarily relates to care homes in the UK, Australia, New Zealand and Spain.

Market Risk Sensitivities[5]

The following analysis is provided to show the relative sensitivities of Bupa's estimated solvency coverage ratio as at 31 December 2015 to a variety of market conditions. These sensitivities are all independent stresses to a single risk and do not take into account management actions or represent Bupa's expectation of future market conditions.

Sensitivity Analysis	**SII Coverage Ratio post stress**[4]
Base Case Solvency Coverage Ratio	**180%**
Interest rate +/-100bps	180%
Credit spread +100bps (assuming no credit transitic	180%
Equities markets -20%	180%
Property values -10%	169%
GBP appreciates by 10%	176%
Pension risk +10%	177%

[5] The pension scheme surplus in excess of the pension risk contribution to the SCR is sufficient to cover the sensitivity analysis stress such that the Group solvency capital surplus is unchanged.

Reducing carbon emissions

In 2010, we made an ambitious commitment to reduce our absolute carbon footprint by 20% by the end of 2015. We have successfully reduced our global carbon emissions by 23%; from 198 ktCO2e[6] in 2009 to 152 ktCO2e last year. This is calculated on an absolute basis against a backdrop of significant business growth. Our 2015 and 2009 carbon footprints have been verified by the Carbon Trust and are in accordance with the measurement requirements of the Carbon Trust Standard and the Greenhouse Gas Protocol – the global standard of measurement.

In 2015, we continued to execute energy efficient and renewable projects across our Market Units. During 2014 and 2015 we invested £50m through our Energy Saver Fund to support over 950 low carbon technology projects and renewable energy projects in Bupa buildings in Australia, the UK, Spain, New Zealand, Poland, Hong Kong and India. These investments show that we can contribute significantly to reduced carbon emissions, and still grow as a business. We now have over 100 solar installations in the UK, and are the largest operator of rooftop solar in Australia. We have also continued to purchase electricity from certified renewable sources. In Spain we source over 99% of our electricity in this way, and overall 35% of our global electricity needs are from green sources.

Our investments also provide long-term financial returns. To secure funding, projects needed to demonstrate not only energy savings, but also a financial return. We ensured projects delivered a positive impact on our financial performance, the planet and the health of the world. This is just one example of how we're embedding 'purposeful performance' across Bupa in service of our purpose; *longer, healthier, happier lives*.

Business risks and uncertainties

The principal risks and uncertainties faced by Bupa are set out in the Risks and Uncertainties section of the Bupa Annual Report and Accounts 2015. Bupa maintains a well established process for identifying and managing all business risks, including all aspects of operational risk, such as conduct or cyber security risk, and clinical risk. This also includes effective oversight of the risks associated with the change programmes underpinning our strategy.

The most significant quantifiable risks facing Bupa are insurance risk and property risk, reflecting potential volatility arising from claims patterns and the significant property portfolio, mainly care homes, owned by Bupa. Movements in property markets aside, exposure to investment market fluctuations is relatively low, reflecting our conservative investment strategy.

Economic conditions may impact trading performance in Bupa's insurance and care services businesses, reducing demand for insurance and constraining public support for health and care services. In many markets in which Bupa operates, the decisions of governments and regulators on issues such as tax relief and the pricing and regulation of health insurance, as well as care services fees and referrals, or national minimum wage levels, continue to present a risk to some Bupa businesses. To mitigate this risk, our businesses continue to develop differentiated products and services, focus on customer retention and continue to control costs carefully.

Like most organisations, Bupa faces competition in its insurance and care services businesses, which can affect customer growth and retention and erode margins. A lack of competition among hospitals and other suppliers can also lead to higher claims costs for insurance businesses. In recent times, the regulatory focus applied to Bupa, and other companies operating within the same markets, has continued to increase.

Therefore, in continuing to monitor and manage our risks, we seek to ensure that we continue to meet the evolving expectations of our customers, investors and regulators.

[6] Kilo tonnes of equivalent carbon dioxide.

Bupa Group

Preliminary Announcement
Financial Information

Year ended 31 December 2015

BUPA

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenues			
Gross insurance premiums		**7,059.0**	7,091.4
Premiums ceded to reinsurers		**(48.6)**	(41.1)
Net insurance premiums earned		**7,010.4**	7,050.3
Revenues from insurance service contracts		**42.6**	42.7
Care, health and other revenues		**2,775.4**	2,684.8
Total revenues		**9,828.4**	9,777.8
Claims and expenses			
Insurance claims incurred		**(5,505.8)**	(5,544.1)
Reinsurers' share of claims incurred		**37.1**	29.7
Net insurance claims incurred		**(5,468.7)**	(5,514.4)
Share of post-taxation results of equity accounted investments		**22.4**	9.0
Other operating expenses		**(3,803.8)**	(3,638.5)
Impairment of goodwill		**(114.1)**	-
Impairment of intangible assets arising on business combinations		**-**	(0.7)
Other income and charges		**(40.6)**	12.9
Total claims and expenses		**(9,404.8)**	(9,131.7)
Profit before financial income and expense		**423.6**	646.1
Financial income and expense			
Financial income	3	**68.7**	80.8
Financial expense	4	**(118.0)**	(117.7)
Net financial expense		**(49.3)**	(36.9)
Profit before taxation expense		**374.3**	609.2
Taxation expense		**(96.0)**	(86.4)
Profit for the financial year		**278.3**	522.8
Attributable to:			
Bupa		**278.3**	515.7
Non-controlling interests		**-**	7.1
Profit for the financial year		**278.3**	522.8

BUPA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	2015 £m	2014 £m
Profit for the financial year	**278.3**	522.8
Other Comprehensive Income / (Expense)		
Items that will not be reclassified to the Income Statement		
Remeasurement gains on pension schemes	**16.9**	171.3
Unrealised (losses) / gains on revaluation of property	**(84.6)**	6.5
Taxation credit / (expense) on income and expenses recognised directly in other comprehensive income	**19.4**	(26.1)
Items that may be reclassified subsequently to the Income Statement		
Foreign exchange translation differences on goodwill	**(96.0)**	(52.9)
Other foreign exchange translation differences	**(89.3)**	(75.2)
Net gain on hedge of net investment in overseas subsidiary companies	**8.5**	17.5
Change in fair value of underlying derivative of cash flow hedge	**1.2**	(2.7)
Cash flow hedge on acquisition of subsidiary companies	**-**	(1.5)
Foreign exchange reserve on disposal of subsidiary	**(4.1)**	(12.0)
Taxation expense on income and expenses recognised directly in other comprehensive income	**(0.4)**	(0.7)
Other Comprehensive (Expense) / Income for the year, net of taxation	**(228.4)**	24.2
Total Comprehensive Income for the year	**49.9**	**547.0**
Attributable to:		
Bupa	**55.4**	541.4
Non-controlling interests	**(5.5)**	5.6
Total Comprehensive Income for the year	**49.9**	547.0

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Intangible assets		**2,862.0**	3,072.1
Property, plant and equipment		**2,838.7**	2,915.6
Investment property		**270.9**	242.0
Equity accounted investments		**238.0**	208.9
Financial investments		**831.9**	734.0
Derivative assets		**51.3**	62.1
Assets arising from insurance business		**0.2**	0.6
Deferred taxation assets		**2.5**	2.5
Trade and other receivables		**96.9**	110.7
Restricted assets		**45.1**	40.9
Post employment benefit net assets		**413.4**	351.4
		7,650.9	7,740.8
Current assets			
Financial investments		**1,356.4**	1,254.0
Derivative assets		**6.0**	6.9
Inventories		**82.9**	62.2
Assets arising from insurance business		**980.5**	933.6
Trade and other receivables		**539.0**	549.4
Restricted assets		**10.8**	12.3
Cash and cash equivalents		**1,194.1**	1,187.6
		4,169.7	4,006.0
Total assets		**11,820.6**	11,746.8
Non-current liabilities			
Subordinated liabilities	5	**(909.5)**	(919.7)
Other interest bearing liabilities	5	**(726.8)**	(1,086.9)
Derivative liabilities		**(10.3)**	(73.1)
Provisions under insurance contracts issued		**(27.6)**	(26.4)
Post employment benefit net liabilities		**(59.5)**	(66.1)
Provisions for liabilities and charges		**(27.5)**	(31.6)
Deferred taxation liabilities		**(224.1)**	(253.6)
Other payables		**(19.9)**	(16.2)
		(2,005.2)	(2,473.6)
Current liabilities			
Subordinated liabilities	5	**(9.9)**	(9.9)
Other interest bearing liabilities	5	**(427.9)**	(67.7)
Derivative liabilities		**(22.1)**	(3.8)
Provisions under insurance contracts issued		**(2,227.5)**	(2,182.5)
Other liabilities under insurance contracts issued		**(72.1)**	(57.6)
Provisions for liabilities and charges		**(69.1)**	(101.9)
Current taxation liabilities		**(43.6)**	(48.4)
Trade and other payables		**(1,519.6)**	(1,333.0)
		(4,391.8)	(3,804.8)
Total liabilities		**(6,397.0)**	(6,278.4)
Net assets		**5,423.6**	5,468.4
Equity			
Property revaluation reserve		**632.3**	707.9
Income and expenditure reserve and other reserves		**4,797.9**	4,590.7
Cash flow hedge reserve		**20.8**	20.0
Foreign exchange translation reserve		**(96.9)**	71.4
Equity attributable to Bupa		**5,354.1**	5,390.0
Equity attributable to non-controlling interests		**69.5**	78.4
Total equity		**5,423.6**	5,468.4

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	2015	2014
	£m	£m
Operating activities		
Profit before taxation expense	**374.3**	609.2
Adjustments for:		
Net financial expense	**49.3**	36.9
Depreciation, amortisation and impairment	**454.7**	262.0
Deferred consideration on disposal of Bupa Ireland Limited	**(25.5)**	-
Other non-cash items	**13.0**	(37.5)
Changes in working capital and provisions:		
Increase in provisions and other liabilities under insurance contracts issued	**99.4**	15.7
(Increase) / decrease in assets arising from insurance business	**(64.9)**	14.4
Change in net pension asset / liability	**(51.7)**	(41.6)
Increase in trade and other receivables, and other assets	**(37.4)**	(20.2)
Increase in trade and other payables, and other liabilities	**82.3**	145.1
Cash generated from operations	**893.5**	984.0
Income taxation paid	**(102.7)**	(193.5)
Increase in cash held in restricted assets	**(2.7)**	(1.0)
Net cash generated from operating activities	**788.1**	789.5
Cash flow from investing activities		
Acquisition of subsidiary companies, net of cash acquired	**(156.3)**	(199.3)
Increase in equity accounted investments	**(7.5)**	(3.9)
Disposal of subsidiary companies, net of cash disposed of	**-**	12.8
Deferred consideration on disposal of Bupa Ireland Limited	**25.5**	-
Disposal of equity accounted investments	**-**	38.0
Purchase of intangible assets	**(88.8)**	(84.5)
Purchase of property, plant and equipment	**(262.6)**	(266.3)
Proceeds from sale of property, plant and equipment	**9.2**	9.5
Purchase of investment property	**(35.0)**	(41.0)
Disposal of investment property	**0.4**	-
Net proceeds from / (purchase of) financial investments, excluding deposits with credit institutions	**108.8**	(143.7)
Net (investment into) / withdrawal from deposits with credit institutions	**(334.8)**	257.6
Interest received	**45.8**	48.1
Net cash used in investing activities	**(695.3)**	(372.7)
Cash flow from financing activities		
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings	**102.0**	379.2
Repayment of interest bearing liabilities and other borrowings	**(90.4)**	(447.4)
Interest paid	**(112.3)**	(116.1)
Receipts from hedging instruments	**33.4**	22.5
Dividends paid to non-controlling interests	**(3.6)**	(2.0)
Net cash used in financing activities	**(70.9)**	(163.8)
Net increase in cash and cash equivalents	**21.9**	253.0
Cash and cash equivalents at beginning of year	**1,187.6**	939.7
Effect of exchange rate changes	**(15.4)**	(5.1)
Cash and cash equivalents at end of year	**1,194.1**	1,187.6

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Property revaluation reserve £m	Income and expenditure reserve and other reserves £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	**Total attributable to Bupa £m**	Non-controlling interests £m	**Total equity £m**
2015							
At beginning of year	707.9	4,590.7	20.0	71.4	**5,390.0**	78.4	**5,468.4**
Retained profit for the financial year	-	278.3	-	-	**278.3**	-	**278.3**
Other comprehensive income / (expense)							
Unrealised loss on revaluation of property	(84.6)	-	-	-	**(84.6)**	-	**(84.6)**
Realised revaluation profit on disposal of property	(0.2)	0.2	-	-	**-**	-	**-**
Remeasurement gain on pension schemes	-	16.9	-	-	**16.9**	-	**16.9**
Foreign exchange translation differences on goodwill	-	-	-	(96.0)	**(96.0)**	-	**(96.0)**
Other foreign exchange translation differences	(6.8)	0.1	-	(77.1)	**(83.8)**	(5.5)	**(89.3)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	8.5	**8.5**	-	**8.5**
Change in fair value of underlying derivative of cash flow hedge	-	-	1.2	-	**1.2**	-	**1.2**
Foreign exchange reserve on disposal of subsidiary	-	(0.4)	-	(3.7)	**(4.1)**	-	**(4.1)**
Taxation credit / (expense) on income and expenses recognised directly in other comprehensive income	16.0	3.4	(0.4)	-	**19.0**	-	**19.0**
Other comprehensive (expense) / income for the year, net of taxation	**(75.6)**	**20.2**	**0.8**	**(168.3)**	**(222.9)**	**(5.5)**	**(228.4)**
Other comprehensive (expense) / income for the year	**(75.6)**	**298.5**	**0.8**	**(168.3)**	**55.4**	**(5.5)**	**49.9**
Liability for future acquisition of minority interest	-	(91.1)	-	-	**(91.1)**	-	**(91.1)**
Dividends paid to non-controlling interests	-	(0.2)	-	-	**(0.2)**	(3.4)	**(3.6)**
At end of year	**632.3**	**4,797.9**	**20.8**	**(96.9)**	**5,354.1**	**69.5**	**5,423.6**
2014							
At beginning of year	700.2	3,940.6	25.0	182.8	**4,848.6**	22.2	**4,870.8**
Retained profit for the financial year	-	515.7	-	-	**515.7**	7.1	**522.8**
Other comprehensive income / (expense)							
Unrealised profit on revaluation of property	6.5	-	-	-	**6.5**	-	**6.5**
Realised revaluation profit on disposal of property	(1.9)	1.9	-	-	**-**	-	**-**
Remeasurement gain on pension schemes	-	171.3	-	-	**171.3**	-	**171.3**
Foreign exchange translation differences on goodwill	-	-	-	(52.9)	**(52.9)**	-	**(52.9)**
Other foreign exchange translation differences	(4.9)	1.4	-	(70.2)	**(73.7)**	(1.5)	**(75.2)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	17.5	**17.5**	-	**17.5**
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.5)	-	**(1.5)**	-	**(1.5)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(2.7)	-	**(2.7)**	-	**(2.7)**
Foreign exchange reserve on disposal of subsidiary	-	(6.1)	-	(5.9)	**(12.0)**	-	**(12.0)**
Taxation credit / (expense) on income and expenses recognised directly in other comprehensive income	8.0	(34.1)	(0.8)	0.1	**(26.8)**	-	**(26.8)**
Other comprehensive income / (expense) for the year, net of taxation	**7.7**	**134.4**	**(5.0)**	**(111.4)**	**25.7**	**(1.5)**	**24.2**
Total comprehensive income / (expense) for the year	**7.7**	**650.1**	**(5.0)**	**(111.4)**	**541.4**	**5.6**	**547.0**
Acquisition of subsidiary companies attributable to non-controlling interest	-	-	-	-	**-**	52.6	**52.6**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(2.0)	**(2.0)**
At end of year	**707.9**	**4,590.7**	**20.0**	**71.4**	**5,390.0**	**78.4**	**5,468.4**

1 Basis of preparation

1 (a) Financial information and basis of preparation

This preliminary results statement was approved by a duly appointed and authorised committee of the Board of Directors of The British United Provident Association Limited (Bupa) on 2 March 2016.

The financial information for the year ended 31 December 2015 and 31 December 2014 have been prepared under International Financial Reporting Standards as adopted by the EU ('IFRS').

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014 but is derived from those accounts. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2015 will be delivered in due course. The auditors, KPMG LLP, have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 31 December 2015 and 2014.

2 Operating segments

Reportable segments	Services and products
Australia and New Zealand	Health insurance, health assessments, health coaching and international health cover Dental provision in Australia and New Zealand, optical care within Australia Nursing, residential and respite care in Australia and New Zealand Retirement villages and telecare services within New Zealand
UK	Health insurance, dental services, health assessments and related products Nursing, residential, and respite care, and care vilages. Management and operation of a private hospital providing medical and ancillary services to patients Home healthcare products and services
Spain and Latin America Domestic	Health insurance and related products sold in Spain Management and operation of hospitals, clinics and dental centres in Spain providing medical and ancillary services to patients Provision of nursing, residential and respite care in Spain Health insurance and operation of outpatient diagnostic clinics, hospitals and medical laboratories in Chile and clinics in Peru
International Development Markets	Domestic health insurance and related products within Hong Kong, Thailand, China, Saudi Arabia and India Medical subscription, health insurance, diagnostics and the operation of clinics and hospitals in Poland Diagnostics, primary healthcare and day care clinics in Hong Kong
Bupa Global	International health insurance to individuals, small businesses and corporate customers in over 190 countries, as well as provision of worldwide medical assistance services

Segmental information

	Australia and New Zealand	UK	Spain and Latin America Domestic	International Development Markets	Bupa Global	Total
	£m	£m	£m	£m	£m	£m
For the year ended 31 December 2015						
(i) Revenues						
Total revenues for reportable segments	3,648.4	2,858.1	1,824.5	551.6	947.5	9,830.1
Inter segment income	-	(0.3)	-	(0.5)	-	(0.8)
External revenues for reportable segments	**3,648.4**	**2,857.8**	**1,824.5**	**551.1**	**947.5**	**9,829.3**
Net reclassifications to other expenses or financial income and expense						(0.9)
Consolidated total revenues						**9,828.4**
(ii) Segment result						
Underlying profits for reportable segments[1]	279.5	182.6	70.1	43.1	103.9	679.2
Central expenses and net interest margin						(96.7)
Consolidated underlying profit before taxation						**582.5**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(13.0)	(4.6)	(7.1)	(18.0)	(3.8)	(46.5)
Impairment of goodwill	-	(114.1)	-	-	-	(114.1)
Impairment of investment in associate	-	-	-	(0.7)	-	(0.7)
Restructuring costs	-	-	-	(1.1)	-	(1.1)
Transaction costs on acquisitions and disposals	(0.6)	(1.6)	-	(1.5)	-	(3.7)
Realised and unrealised foreign exchange gains / (losses)	0.2	(0.1)	(2.0)	0.2	(8.8)	(10.5)
Net property revaluation gains / (losses)[2]	2.3	(67.7)	3.7	-	-	(61.7)
Net (losses) / gains on disposal of fixed assets	(1.1)	(0.4)	1.4	(0.1)	(0.4)	(0.6)
Net (losses) / gains on disposal of businesses	-	-	(0.4)	0.3	-	(0.1)
Gains on return-seeking assets, net of hedging						7.0
Deferred consideration in relation to sale of Bupa Ireland Limited						25.5
Other[3]						(1.7)
						(208.2)
Consolidated profit before taxation expense						**374.3**

[1] Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. International Development Markets includes Bupa Arabia and Max Bupa; Bupa Global includes Highway to Health.

[2] Includes property and equipment write down in Care Services UK of £67.8m, of which £8.7m is equipment.

[3] Includes central non-underlying items including £1.7m of foreign exchange losses in 2015.

2 Operating segments (continued)

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	Bupa Global £m	Total £m
For the year ended 31 December 2014						
(i) Revenues						
Total revenues for reportable segments	3,759.6	2,711.6	1,842.5	506.8	958.7	9,779.2
Inter segment income	-	(0.4)	-	(0.1)	-	(0.5)
External revenues for reportable segments	**3,759.6**	**2,711.2**	**1,842.5**	**506.7**	**958.7**	**9,778.7**
Net reclassifications to other expenses or financial income and expense						(0.9)
Consolidated total revenues						**9,777.8**
(ii) Segment result						
Underlying profits for reportable segments[1]	309.2	175.0	130.6	17.1	97.9	729.8
Central expenses and net interest margin						(92.0)
Consolidated underlying profit before taxation						**637.8**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(14.1)	(4.6)	(7.1)	(20.8)	(4.9)	(51.5)
Impairment of intangible assets arising on business combinations	-	-	(0.7)	-	-	(0.7)
Restructuring costs	(0.2)	(3.7)	-	(2.1)	(8.5)	(14.5)
Transaction costs on acquisitions and disposals	(0.7)	(0.6)	(3.3)	(0.8)	-	(5.4)
Realised and unrealised foreign exchange gains / (losses)	0.4	(0.1)	(2.1)	0.1	8.8	7.1
Net property revaluation (losses) / gains	10.7	(9.9)	(1.5)	-	-	(0.7)
Net losses on disposal of fixed assets	(0.5)	(0.4)	(0.7)	-	(0.2)	(1.8)
Net gains on disposal of businesses	-	10.9	-	16.2	-	27.1
Gains on return seeking assets, net of hedging						13.8
Other[2]						(2.0)
						(28.6)
Consolidated profit before taxation expense						**609.2**

[1] Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. International Development Markets includes Bupa Arabia and Max Bupa; Bupa Global includes Highway to Health.

[2] Includes central non-underlying items and loss on sale of equity accounted investments.

3 Financial income

	2015 £m	2014 £m
Interest income:		
Loans and receivables	**40.8**	46.6
Investments held to maturity	**2.6**	2.5
Investments designated at fair value through profit or loss	**1.7**	3.5
Net realised gains on financial investments designated at fair value through profit or loss	**13.6**	8.3
Net (decrease) / increase in fair value:		
Investments designated at fair value through profit or loss	**(4.4)**	9.1
Investment property	**11.6**	10.9
Net foreign exchange gains / (losses)	**2.8**	(0.1)
Total financial income	**68.7**	80.8

Included within financial income are net gains, net of hedging, on the Group's return seeking asset portfolio of £7.0m (2014: net gain of £13.8m).

4 Financial expense

	2015 £m	2014 £m
Interest expense on financial liabilities at amortised cost	**114.3**	113.6
Finance charges in respect of finance leases	**1.2**	1.3
Other financial expense	**2.5**	2.8
Total financial expense	**118.0**	117.7

5 Borrowings

	2015			2014		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Subordinated liabilities						
Callable subordinated perpetual guaranteed bonds	**330.0**	**5.9**	**335.9**	330.0	5.9	335.9
Fair value adjustment in respect of hedged interest rate risk	**51.3**	**-**	**51.3**	62.1	-	62.1
Callable subordinated perpetual guaranteed bonds at carrying value	**381.3**	**5.9**	**387.2**	392.1	5.9	398.0
5.0% subordinated unguaranteed bonds due 2023	**495.9**	**4.0**	**499.9**	495.3	4.0	499.3
Other subordinated debt due 2022	**32.3**	**-**	**32.3**	32.3	-	32.3
Total subordinated liabilities	**909.5**	**9.9**	**919.4**	919.7	9.9	929.6
Other interest bearing liabilities						
Senior unsecured bonds	**387.1**	**366.8**	**753.9**	739.7	16.5	756.2
Secured loans	**233.5**	**4.3**	**237.8**	222.5	15.7	238.2
Bank loans	**97.0**	**50.2**	**147.2**	109.9	27.6	137.5
Finance lease liabilities	**9.2**	**6.6**	**15.8**	14.8	7.9	22.7
Total other interest bearing liabilities	**726.8**	**427.9**	**1,154.7**	1,086.9	67.7	1,154.6
Total borrowings	**1,636.3**	**437.8**	**2,074.1**	2,006.6	77.6	2,084.2