Financial Statements

Accounting policies that are relevant to the financial statements as a whole are described in Section 1 'Basis of preparation'. Thereafter, the notes to the financial statements have been presented in five key sections: 'Results for the year', 'Operating assets and liabilities', 'Group Investments', 'Risk management and Capital management', and 'Other notes'.

For The British United Provident Association Limited on a standalone basis (the 'Company') primary statements and associated notes are set out in Section 7.

Each section sets out the relevant accounting policies applied in producing the notes, along with disclosures of any key judgements and estimates used.

Independent auditor's report to the members of The British United Provident Association Limited only

Opinions and conclusions arising from our audit

1) Our opinion on the financial statements is unmodified

We have audited the financial statements of The British United Provident Association Limited for the year ended 31 December 2016 set out on pages 59-138. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU);
- the Parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2) Overview

Materiality: Group financial statements as a whole	£28 million (2015: £31 million)	
	4.3% (2015: 5.6%) of normalised Group profit before tax	
Coverage	91% (2015: 95%) of Group profit before tax	
Risks of material misstatement		**vs 2015**
Recurring risks	Goodwill and intangibles impairment	◀▶
	Valuation of properties	◀▶
	Valuation of general insurance contracts	◀▶

3) Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2015):

Carrying value of goodwill in Bupa Care Services UK and New Zealand, Bupa Chile and Quality HealthCare businesses £429.3m (2015: £361.7m). Carrying value of intangible assets £959.5m (2015: £884.3m).

Refer to page 35 (Audit Committee Report) and Note 3.1.

- **The risk** – As described in Note 3.1, impairment is assessed based on discounted cash flow projections. For the Bupa Care Services UK and New Zealand cash generating units, cash flow forecasts require a high level of judgement in respect of fee rate and cost of care. In the Bupa Chile and Quality HealthCare cash generating units, key assumptions are revenue growth and gross margin, particularly in respect of assets such as clinics and hospitals which are under development, the discount rate and terminal growth rate. These two businesses were acquired more recently and there is a low level of headroom in the impairment calculations. For intangible assets subject to impairment tests, cash flow forecasts are sensitive to expected benefits to be derived from the assets, and the period over which they will be earned. For intangible assets subject to amortisation there is a high level of judgement when determining whether indicators of impairment exist.
- **Our response** – For assets subject to impairment tests our procedures included challenging the cash flow forecasts and the underlying assumptions, based on our understanding of the relevant business and the sector and economic environment in which it operates. We compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We challenged the forecast periods utilised in the models and performed sensitivity testing using different forecast periods. We compared the Group's assumptions to externally derived data as well as our own sector knowledge in relation to key inputs such as the projected cash flows for these cash generating units, terminal growth rates, cost inflation and discount rates and applied sensitivities in evaluating the Group's assessments. Where external valuation specialists were used, we considered the external valuation report and assessed the valuer as an independent expert. Our own valuation specialists assisted us in evaluating the assumptions and methodologies used by the Group, in particular those relating to terminal growth rates and discount rates, and in evaluating these assumptions with reference to valuations of similar businesses. For intangible assets subject to amortisation, we considered indicators of impairment, focusing in particular on the extent to which assets are still being utilised and the levels of customer attrition and operating margin compared to the assumptions applied when the assets were acquired. We assessed whether the Group's disclosures over the goodwill impairment review, including the disclosures regarding the sensitivity of the outcome of the impairment reviews to changes in key assumptions were appropriate.

Valuation of properties £2,766.5m (2015: £2,541.6m).

Refer to page 35 (Audit Committee Report) and Notes 3.2 and 3.3

- **The risk** - The Group revalues its freehold, leasehold and investment properties, including care homes, hospitals and offices primarily in the UK, Spain, Australia and New Zealand, to fair value on a periodic basis with external valuations being performed on at least a triennial basis and retirement villages in New Zealand being subject to an external valuation annually. A full external valuation of freehold, leasehold and investment properties in the UK and Chile was performed by chartered surveyors during 2016. Directors' valuations were performed for other properties where there is an indication that the carrying value differed significantly from fair value. The principal assumptions underpinning these valuations including operating cash flows, future profitability and competitor activity require the exercise of a high level of judgement.
- **Our response** – For businesses where the properties are subject to a directors' valuation, our procedures included critically assessing the assumptions applied by reference to external benchmarks and forecasts, along with any reports from external chartered surveyors. For properties that were valued externally, primarily in the UK, New Zealand and Chile we critically assessed any external valuers' reports considering the qualifications of the external valuers and the assumptions applied by the external valuers. For properties classified as held for sale, we also challenged any adjustments that have been made to the valuations provided by the external valuers. For properties such as hospitals and care homes, we also challenge the valuation models, by comparing past cash flow projections to

actual performance. We used our own valuation specialists to assist us in challenging the key assumptions relating to operating cash flows, occupancy rates, future profitability, discount rates, market multiples and competitor activity used in the valuations. Where appropriate, we assessed the Group's disclosures regarding the valuation basis applied, revaluation gains and any impairment losses.

Valuation of general insurance contracts – provisions for claims within provisions under insurance contracts issued £889.6m (2015: £657.1m).

Refer to page 35 (Audit Committee Report) and Note 3.4.1.

- **The risk** – The Group's operations include a number of general insurance entities writing health insurance policies primarily in the UK, Spain, Australia, USA and Chile. The process of recognising the provision for claims arising from general insurance contracts is an inherently complex area, requiring judgement and actuarial expertise. This complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future experience.
- **Our response** – Our procedures included inspecting the claims reserving reports for each insurance business and evaluating and testing the key controls over the provisioning process, including controls over the completeness and accuracy of the data that supports key calculations, such as the data in respect of current and historical claims. This data provides us with evidence over trends in claims and their costs which drive the assumptions for claims, in current and preceding financial years, which have not yet been paid at the date of the financial statements. These assumptions include historical claims experience, claims cost inflation and medical trends as well as the level of margin that is applied. We used our own actuarial specialists to assist us in evaluating and challenging the assumptions on current and future experience used by the Group in each territory, as set out in the claims reserving reports, comparing them to expectations based on the Group's historical experience, current trends and our own industry knowledge in each territory. For some elements of the business, we calculated our own estimate of the provision using the company's data set for comparison against the provision calculated by the company, and considered the impact of any significant differences. We applied sensitivities to the assumptions in assessing the appropriateness and adequacy of the provisions recognised by the Group. We used our industry knowledge to benchmark the Group's reserving methodologies and claims experience. We assessed whether the Group's disclosures in relation to the assumptions in respect of provisions for claims in respect of general insurance business were appropriate.

4) Our application of materiality and an overview of the scope of our audit

Materiality – amount basis	£28m (2015: £31m) 4.3% of Group profit before tax normalised to exclude loss on early redemption of secured loan notes of £635.2m (2015: 5.6% of Group profit before tax normalised to exclude the impairment of goodwill in Bupa Care Services UK and the write down of UK care home valuations)
Component materiality	£21m (2015: £23m)
Threshold for reporting uncorrected and corrected differences to the Audit Committee	£1.4m (2015: £1.5m) plus other identified misstatements if warranted on qualitative grounds

Of the Group's over 50 (2015: over 50) reporting components, we subjected eight (2015: eight) to audits for Group reporting purposes. These components were located in UK, Spain, Poland, USA, Australia, New Zealand and Chile. We also subjected three components (2015: three) to specified risk-focused audit procedures over goodwill and intangible assets (one component (2015: one component)), property (one component (2015: one component)) and tax (one component (2015: one component)). These three components were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue (%)	Group profit before tax (%)	Group total assets (%)
Audits for Group reporting purposes				
2016	8	89%	91%	93%
2015	8	87%	93%	87%
Specified risk-focused audit procedures				
2016	3	2%	2%	5%
2015	3	2%	2%	3%
Total (2016)	**11**	**91%**	**93%**	**98%**
Total (2015)	11	89%	95%	90%

These audits were all performed by component auditors. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The segment disclosures in Note 2.0 set out the individual significance of specific countries.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality of £21m (2015: £23m), having regard to the mix of size and risk profile of the Group across the components. The Group team performed procedures on the items excluded from normalised Group profit before tax.

Independent auditor's report to the members of The British United Provident Association Limited only continued

The Group audit team visited four (2015: five) component locations in UK, Spain, Australia and Hong Kong (2015: UK, Spain, Australia, Hong Kong and USA), to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors and others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

5) Our opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement is unmodified

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion:

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the company; and
- 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.

6) We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of longer-term viability on page 16, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 December 2019; or
- the disclosures in Note 1.4 of the financial statements concerning the use of the going concern basis of accounting.

7) We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for members to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report on pages 34-37 does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion:

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

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review:

- the directors' statements, set out on pages 16 and 53, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 22-23 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

1 March 2017

Consolidated Income Statement
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Revenues			
Gross insurance premiums	2.1	**8,044.3**	7,059.0
Premiums ceded to reinsurers	2.1	**(53.9)**	(48.6)
Net insurance premiums earned		**7,990.4**	7,010.4
Revenues from insurance service contracts	2.1	**18.7**	42.6
Care, health and other revenues	2.1	**3,038.8**	2,775.4
Total revenues		**11,047.9**	9,828.4
Claims and expenses			
Insurance claims incurred	2.2	**(6,332.9)**	(5,505.8)
Reinsurers' share of claims incurred	2.2	**42.9**	37.1
Net insurance claims incurred		**(6,290.0)**	(5,468.7)
Share of post-taxation results of equity accounted investments	4.2	**30.3**	22.4
Other operating expenses	2.3	**(4,197.3)**	(3,803.8)
Impairment of goodwill	3.1	**–**	(114.1)
Other income and charges	2.4	**(38.9)**	(40.6)
Total claims and expenses		**(10,495.9)**	(9,404.8)
Profit before financial income and expense		**552.0**	423.6
Financial income and expense			
Financial income	2.5	**212.1**	68.7
Financial expense	2.5	**(241.2)**	(118.0)
Net financial expense		**(29.1)**	(49.3)
Profit before taxation expense		**522.9**	374.3
Taxation expense	2.6	**(136.1)**	(96.0)
Profit for the financial year		**386.8**	278.3
Attributable to:			
Bupa		**381.6**	278.3
Non-controlling interests		**5.2**	–
Profit for the financial year		**386.8**	278.3

Notes 2-6 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Profit for the financial year		**386.8**	278.3
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Remeasurement (losses)/gains on pension schemes	3.6	**(14.6)**	16.9
Unrealised gains/(losses) on revaluation of property	3.2	**63.5**	(84.6)
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**13.3**	19.4
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3.1	**335.5**	(96.0)
Other foreign exchange translation differences		**453.6**	(89.3)
Net (loss)/gain on hedge of net investment in overseas subsidiary companies		**(86.7)**	8.5
Change in fair value of underlying derivative of cash flow hedge	5.4.2	**2.0**	1.2
Reclassification of foreign exchange translation differences to profit or loss on disposal of subsidiary	4.0	**2.0**	(4.1)
Taxation expense on income and expenses recognised directly in other comprehensive income	2.6	**(0.2)**	(0.4)
Unrealised losses on available-for-sale assets		**(0.2)**	–
Total other comprehensive income/(expense)		**768.2**	(228.4)
Comprehensive income for the year		**1,155.0**	49.9
Attributable to:			
Bupa		**1,136.0**	55.4
Non-controlling interests		**19.0**	(5.5)
Comprehensive income for the year		**1,155.0**	49.9

Notes 2-6 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2016

	Note	2016 £m	2015 £m
Non-current assets			
Intangible assets	3.1	**3,391.4**	2,862.0
Property, plant and equipment	3.2	**2,851.6**	2,838.7
Investment property	3.3	**391.3**	270.9
Equity accounted investments	4.2	**302.9**	238.0
Financial investments	5.0	**1,061.9**	831.9
Derivative assets	5.2	**50.9**	51.3
Assets arising from insurance business	3.0.2	**2.2**	0.2
Deferred taxation assets	3.7	**7.1**	2.5
Trade and other receivables	3.0.1	**112.5**	96.9
Restricted assets	3.0.4	**55.8**	45.1
Post-employment benefit net assets	3.6	**481.3**	413.4
		8,708.9	7,650.9
Current assets			
Financial investments	5.0	**1,110.7**	1,356.4
Derivative assets	5.2	**9.4**	6.0
Inventories	3.0.5	**92.2**	82.9
Assets arising from insurance business	3.0.2	**1,164.7**	980.5
Assets held for sale	4.1	**505.3**	–
Trade and other receivables	3.0.1	**501.6**	539.0
Restricted assets	3.0.4	**4.2**	10.8
Cash and cash equivalents	3.0.3	**1,412.7**	1,194.1
		4,800.8	4,169.7
Total assets		**13,509.7**	11,820.6
Non-current liabilities			
Subordinated liabilities	5.1	**(1,302.0)**	(909.5)
Other interest bearing liabilities	5.1	**(522.8)**	(726.8)
Derivative liabilities	5.2	**(10.4)**	(10.3)
Provisions under insurance contracts issued	3.4.1	**(33.9)**	(27.6)
Post-employment benefit net liabilities	3.6	**(85.1)**	(59.5)
Provisions for liabilities and charges	3.5	**(42.0)**	(27.5)
Deferred taxation liabilities	3.7	**(229.5)**	(224.1)
Other payables	3.0.6	**(24.3)**	(19.9)
		(2,250.0)	(2,005.2)
Current liabilities			
Subordinated liabilities	5.1	**(14.7)**	(9.9)
Other interest bearing liabilities	5.1	**(82.1)**	(427.9)
Derivative liabilities	5.2	**(11.6)**	(22.1)
Provisions under insurance contracts issued	3.4.1	**(2,594.8)**	(2,227.5)
Other liabilities under insurance contracts issued	3.4.2	**(143.0)**	(72.1)
Liabilities directly associated with assets held for sale	4.1	**(45.5)**	–
Provisions for liabilities and charges	3.5	**(64.7)**	(69.1)
Current taxation liabilities		**(54.9)**	(43.6)
Trade and other payables	3.0.6	**(1,673.4)**	(1,519.6)
		(4,684.7)	(4,391.8)
Total liabilities		**(6,934.7)**	(6,397.0)
Net assets		**6,575.0**	5,423.6
Equity			
Property revaluation reserve		**706.1**	632.3
Income and expenditure reserve and other reserves		**5,228.2**	4,797.9
Cash flow hedge reserve		**14.7**	20.8
Foreign exchange translation reserve		**595.3**	(96.9)
Equity attributable to Bupa		**6,544.3**	5,354.1
Equity attributable to non-controlling interests		**30.7**	69.5
Total equity		**6,575.0**	5,423.6

Approved by the Board of Directors and signed on its behalf on 1 March 2017 by

Lord Leitch
Chairman

Joy Linton
Chief Financial Officer

Notes 2-6 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Operating activities			
Profit before taxation expense		**522.9**	374.3
Adjustments for:			
Net financial expense	2.5	**29.1**	49.3
Depreciation, amortisation and impairment		**345.7**	454.7
Deferred consideration on disposal of Bupa Ireland Limited	2.4	**–**	(25.5)
Other non-cash items		**28.4**	13.0
Changes in working capital and provisions:			
Increase in provisions and other liabilities under insurance contracts issued		**123.7**	99.4
Increase in assets under insurance business		**(50.0)**	(64.9)
Change in net pension asset/liability		**(56.2)**	(51.7)
Increase in trade and other receivables, and other assets		**(26.6)**	(37.4)
Increase in trade and other payables, and other liabilities		**119.8**	82.3
Cash generated from operations		**1,036.8**	893.5
Income taxation paid		**(142.0)**	(102.7)
Increase in cash held in restricted assets	3.0.4	**(3.8)**	(2.7)
Net cash generated from operating activities		**891.0**	788.1
Cash flow from investing activities			
Acquisition of subsidiary companies, net of cash acquired	4.0	**(127.5)**	(156.3)
Increase in equity accounted investments		**(31.8)**	(7.5)
Acquisition of non-controlling interests in subsidiary company	4.0	**(95.1)**	–
Disposal of subsidiary companies, net of cash disposed of		**21.9**	–
Deferred consideration on disposal of Bupa Ireland Limited	2.4	**–**	25.5
Purchase of intangible assets	3.1	**(103.1)**	(88.8)
Purchase of property, plant and equipment		**(361.9)**	(262.6)
Proceeds from sale of property, plant and equipment		**19.1**	9.2
Purchase of investment property	3.3	**(37.7)**	(35.0)
Disposal of investment property	3.3	**0.6**	0.4
Net (purchase of)/proceeds from financial investments, excluding deposits with credit institutions		**(142.7)**	108.8
Net withdrawal from/(investment into) deposits with credit institutions		**509.9**	(334.8)
Interest received		**38.3**	45.8
Net cash used in investing activities		**(310.0)**	(695.3)
Cash flow from financing activities			
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings		**556.0**	102.0
Repayment of interest bearing liabilities and other borrowings		**(903.8)**	(90.4)
Interest paid		**(101.3)**	(112.3)
(Payments for)/receipts from hedging instruments		**(77.7)**	33.4
Dividends paid to non-controlling interests		**(2.1)**	(3.6)
Net cash used in financing activities		**(528.9)**	(70.9)
Net increase in cash and cash equivalents		**52.1**	21.9
Cash and cash equivalents at beginning of year		**1,194.1**	1,187.6
Effect of exchange rate changes		**166.5**	(15.4)
Cash and cash equivalents at end of year	3.0.3	**1,412.7**	1,194.1

Notes 2-6 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Note	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**
2016								
At beginning of year		632.3	4,797.9	20.8	(96.9)	**5,354.1**	69.5	**5,423.6**
Retained profit for the financial year		–	381.6	–	–	**381.6**	5.2	**386.8**
Other comprehensive income/(expense)								
Unrealised profit on revaluation of property	3.2	63.5	–	–	–	**63.5**	–	**63.5**
Realised revaluation profit on disposal of property		(6.6)	6.6	–	–	**–**	–	**–**
Remeasurement loss on pension schemes	3.6	–	(14.6)	–	–	**(14.6)**	–	**(14.6)**
Unrealised loss on available-for-sale assets		–	(0.2)	–	–	**(0.2)**	–	**(0.2)**
Foreign exchange translation differences on goodwill	3.1	–	–	–	335.5	**335.5**	–	**335.5**
Other foreign exchange translation differences		21.9	0.3	(7.9)	425.3	**439.6**	14.0	**453.6**
Net loss on hedge of net investment in overseas subsidiary companies		–	–	–	(86.7)	**(86.7)**	–	**(86.7)**
Change in fair value of underlying derivative of cash flow hedge	5.4.2	–	–	2.0	–	**2.0**	–	**2.0**
Foreign exchange reserve on disposal of subsidiary		–	–	–	2.2	**2.2**	(0.2)	**2.0**
Taxation (expense)/credit on income and expense recognised directly in other comprehensive income	2.6	(5.0)	2.4	(0.2)	15.9	**13.1**	–	**13.1**
Other comprehensive income/(expense) for the year, net of taxation		**73.8**	**(5.5)**	**(6.1)**	**692.2**	**754.4**	**13.8**	**768.2**
Total comprehensive income/(expense) for the year		**73.8**	**376.1**	**(6.1)**	**692.2**	**1,136.0**	**19.0**	**1,155.0**
Acquisition of subsidiary companies attributable to non-controlling interest	4.0	–	54.2	–	–	**54.2**	(55.7)	**(1.5)**
Dividends paid to non-controlling interests		–	–	–	–	**–**	(2.1)	**(2.1)**
At end of year		**706.1**	**5,228.2**	**14.7**	**595.3**	**6,544.3**	**30.7**	**6,575.0**
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	3.2	(84.6)	–	–	–	**(84.6)**	–	**(84.6)**
Realised revaluation profit on disposal of property		(0.2)	0.2	–	–	**–**	–	**–**
Remeasurement gain on pension schemes	3.6	–	16.9	–	–	**16.9**	–	**16.9**
Foreign exchange translation differences on goodwill	3.1	–	–	–	(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	5.4.2	–	–	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 expense recognised directly in other comprehensive income	2.6	16.0	3.4	(0.4)	–	**19.0**	–	**19.0**
Other comprehensive income/(expense) for the year, net of taxation		**(75.6)**	**20.2**	**0.8**	**(168.3)**	**(222.9)**	**(5.5)**	**(228.4)**
Total comprehensive income/(expense) for the year		**(75.6)**	**298.5**	**0.8**	**(168.3)**	**55.4**	**(5.5)**	**49.9**
Liability for future acquisition of minority interest	3.0.6	–	(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**

Notes 2-6 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2016

Note

1.0

Basis of preparation

Basis of preparation in brief

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

1.1 Basis of preparation

The British United Provident Association Limited ('Bupa' or the 'Company'), the ultimate Parent entity of the Group, is a company incorporated in England and Wales. The Company is limited by guarantee.

Both the Company financial statements and the Group's consolidated financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU. The appropriate provisions of the Companies Act 2006 applicable to companies reporting under IFRS have also been complied with. A summary of IFRS that are relevant for the Group is included on page 140.

The financial statements were approved by the Board of Directors on 1 March 2017. The directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, unless otherwise stated. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Parent company.

The financial statements are prepared on a going concern basis and under the historical cost convention, modified by the revaluation of property, investment property, financial investments at fair value through profit or loss, available-for-sale financial assets and derivative instruments.

1.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2016 comprise those of the Company and its subsidiary companies (together referred to as the 'Group'), and the share of results of equity accounted investments.

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

The consolidated financial statements are presented in sterling, which is the Group's presentational currency. The functional currency is identified at statutory entity level. These vary across the Group and include sterling, Australian dollar, euro and US dollar. Each Group entity then translates its results and financial position into the Group's presentational currency, sterling, for presentation in the Group consolidated financial statements. The immediate impact on Bupa's financial position following the UK's decision to leave the EU in June 2016 has seen a strengthening across all our key financial metrics due to the weakening of sterling.

1.3 Accounting estimates and judgements

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

The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the consolidated financial statements, are set out below and in more detail in the related notes:

Area	Judgement	Note
Claims provisioning	Expected claims payments and expense required to settle existing insurance contract obligations. Calculation of the outstanding claims provision is based on assumptions including claims development, margin of prudence, claims costs inflation, medical trends and seasonality.	3.4.1
Property valuations	Bupa has a significant portfolio of care home, hospital and office properties and fluctuations in the value of this portfolio can have a significant impact on the Statement of Financial Position, Income Statement and solvency position of the Group.	3.2, 3.3
Goodwill and intangible assets	Recognised on business combinations with the latter valued at the date of acquisition at fair value. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis; other intangible assets are tested if a trigger of impairment is identified. The judgemental areas within this process include the inputs within the discount rate and the forecast cash flows.	3.1
Pension assets and liabilities	The principal defined benefit scheme in the UK is the Bupa Pension Scheme. The judgemental area relates to the assumptions used in the valuation of the related pension liabilities performed by the independent scheme actuary.	3.6.2

Other judgements:

- Taxation (Note 2.6)
- Provisions (Note 3.5)
- Business combinations and disposals (Note 4.0)
- Assets and liabilities held for sale (Note 4.1)
- Financial investments (Note 5.0)

1.4 Going concern

Management has conducted a detailed assessment of the Group's going concern status based on its current position and forecast results. They have concluded that the Group has adequate resources to operate for the next twelve months. In making this assessment, management have considered the discussions with the relationship banks as well as forecasts which take account of reasonably possible changes in trading performance, solvency capital and recently announced acquisitions.

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1-21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12-15.

The Group's £800.0m bank facility was unutilised at 31 December 2016, with the exception of £6.4m of outstanding letters of credit required for general business purposes. The Group has extended this facility from 2017 to 2021 with the option of extending this further to 2022.

An additional committed bank facility of £250.0m was agreed during June 2016. This facility was cancelled following the issuance of the £400.0m unguaranteed subordinated bond issued on 8 December 2016.

Refer to the Longer-Term Viability Statement in the Strategic Report which considers the Group's ability to continue in operation and meet its liabilities as they fall due, over a period of three years. In making this assumption, management have considered the discussions with the relationship banks including the review of external ratings, forecasts that consider reasonably possible changes in trading performance, the solvency capital position and the Group's financial and operational risk framework. It has been concluded that Bupa is a going concern and accordingly the financial statements have been produced on a going concern basis.

1.5 New financial reporting requirements

All newly effective financial reporting standards applicable to the Group for the first time for the year ended 31 December 2016 have been reviewed and it has been concluded that they have no material impact on the financial statements of the Group. These include:

(a) IAS 1 Disclosure initiative

The amendments to IAS 1 Presentation of Financial Statements are designed to further encourage companies to apply professional judgement in determining which information to disclose in their financial statements.

(b) Amendments to The Companies Partnerships and Groups (Accounts and Reports) Regulations 2015

The amendment under section 410 of the UK Companies Act for companies to include all subsidiaries, associated undertakings and significant holdings in undertakings other than subsidiary undertakings has been extended to declare the registered address, shareholding and class of shares. Bupa has included a full listing of all entities meeting this criteria, shareholding and class of shares grouped by the registered country of the entities in the Annual Report and Accounts.

1.6 Forthcoming financial reporting requirements

The following financial reporting standards have been issued but are not effective for the year ended 31 December 2016 and have not been early adopted by the Group.

(a) Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 9 modifies the classification and measurement of financial assets, the recognition of impairment and hedge accounting. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value, with the basis of classification depending on the business model and the contractual cash flow characteristics of the financial assets. In September 2016, the IASB issued Amendments to IFRS 4, 'Insurance Contracts' regarding the implementation of IFRS 9, 'Financial Instruments', introducing two approaches: an overlay approach (giving companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than the Income Statement, any volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued); or, a deferral approach (giving companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021). The mandatory effective date for applying IFRS 9 is for annual periods beginning on or after 1 January 2018. The standard was adopted into EU law on 22 November 2016. The impact of IFRS 9 on the financial statements is currently being evaluated by the Group, but cannot be fully assessed until the insurance contracts standard is finalised. The amendments to IFRS 4 are pending EU endorsement.

(b) IFRS 15 Revenue Recognition

IFRS 15 establishes principles that an entity can apply to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It replaces IAS 11: Construction Contracts, IAS 18: Revenue, IFRIC 13: Customer Loyalty Programmes, IFRIC 15: Agreements for the Construction of Real Estate and IFRIC 18: Transfers of Assets from Customers. The standard will come into effect for annual periods beginning on or after 1 January 2018. The Group has reviewed the effect of this change and does not expect a significant impact to the financial statements.

(c) IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases-Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The mandatory effective date for applying IFRS 16 is for annual periods beginning on or after 1 January 2019. The impact of IFRS 16 on the financial statements is currently being evaluated by the Group. See Note 6.1 Commitments and contingencies for operating lease disclosures under the current accounting standards.

Notes to the Financial Statements continued
for the year ended 31 December 2016

(d) IAS 7 Disclosure initiative

The IASB requires the following changes in assets/liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The Group expects that this would take the format of a reconciliation between the opening and closing balances for liabilities arising from financing activities. Comparative information will not be required. The amendments to IAS 7 will be effective from 1 January 2017, pending EU endorsement.

(e) IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 will be effective from 1 January 2017, pending EU endorsement. The impact of this is currently being evaluated by the Group.

The Group has reviewed the effect of all other amendments to IFRS and interpretations effective for accounting periods beginning on or after 1 January 2017 and do not expect them to have a significant impact on the financial statements.

1.7 Events occurring after the reporting period

On 9 February 2017, Bupa completed the purchase of 100% of the issued share capital of Oasis Dental Care, with an enterprise value of £835.0m, following regulatory referral from the European Commission to the UK Competition and Markets Authority (CMA).

Note

2.0
Operating segments

Operating segments in brief

The Group is managed through four Market Units based on geographic locations and customers. Management monitors the operating results of the Market Units separately to assess performance and make decisions about the allocation of resources. The segmental disclosures are reported consistently with the way the business is managed and reported internally.

Reorganisation during the year led to four Market Units being reported from the previous five; the newly formed Market Units being Europe and Latin America (resulting from the transfer of LUX MED into the previous Spain and Latin America Market Unit) and International Markets (resulting from the merger of International Development Markets and Bupa Global). Comparatives have been restated to reflect this change. The new structure enhances collaboration and synergies across the business.

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, care villages and respite care
	Management and operation of a private hospital providing medical and ancillary services to patients
	Home healthcare products and services[1]
Europe and Latin America	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
	Medical subscription, health insurance, diagnostics and operation of clinics and hospitals in Poland
	Health insurance and operation of outpatient clinics and hospitals in Chile
International Markets	International health insurance to individuals, small businesses and corporate customers in over 190 countries
	Domestic health insurance and related products within Hong Kong, Thailand, China, Saudi Arabia and India
	Diagnostics, primary healthcare and day care clinics in Hong Kong

1 Bupa Home Healthcare was sold to Celesio on 1 July 2016.

The operating results of each Market Unit, which form the operating segments on which the information in this section has been prepared, are regularly reviewed by the Group Chief Executive Officer (the Group's chief operating decision maker) to assess performance and make decisions about the allocation of resources.

The segmental underlying profit includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central expenses and net interest margin comprise income and expenses generated at the Centre, which cannot be specifically allocated to the operating segments.

A key performance measure of operating segments utilised by the Group is underlying profit. This measurement basis distinguishes underlying profit from other constituents of the IFRS reported profit before tax, excluding items relating to business combinations and disposals, fluctuations in foreign exchange, property revaluations and investment return on return-seeking assets, along with other one-off items. Adjustments made exclude items derived from the application of Group accounting policies which are not directly related to the underlying trading performance of the business.

The adjustments made to reported profit before tax are to exclude the following:

- Amortisation and impairment of intangible assets and goodwill arising on business combinations – impairment reviews are performed at least annually. Although driven by trading performance, goodwill impairments are considered to be one-off and not reflective of the ongoing trading performance of the business. Amortisation and impairment of internally generated intangible assets and purchased computer software is included within underlying profit.
- Net gains/losses on disposal of businesses and transaction costs on business combinations – gains/losses on disposal of businesses are not considered part of the continuing business and are one-off in nature; transaction costs incurred for acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. Includes unrealised gains or losses on investment properties, deficit on revaluations and property impairment losses.
- Realised and unrealised foreign exchange gains/losses – short-term fluctuations outside of management control, which would distort underlying trading performance.
- Other Market Unit non-underlying items – include impairment of investment in associate, Market Unit restructuring costs (which are one-off and outside the normal operations of the business) and net gains/losses on disposal of fixed assets (not part of the continuing business or trading activity).
- Early termination of secured loans – relates to the one-off impact of UK care homes securitisation redemption.
- Gains on return seeking assets, net of hedging – fluctuations on investments are not considered to be directly related to underlying trading performance.
- Central non-underlying items – items which management believe are not representative of the underlying results of the business and which would distort underlying results.

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

	Australia and New Zealand		UK		Europe and Latin America		International Markets		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m	2016 £m	2015 £m
(i) Revenues										
Total revenues for reportable segments	**4,360.6**	3,648.4	**2,786.1**	2,858.1	**2,474.7**	2,027.4	**1,427.9**	1,296.2	**11,049.3**	9,830.1
Inter segment income	**–**	–	**(0.2)**	(0.3)	**–**	–	**(0.1)**	(0.5)	**(0.3)**	(0.8)
External revenues for reportable segments	**4,360.6**	3,648.4	**2,785.9**	2,857.8	**2,474.7**	2,027.4	**1,427.8**	1,295.7	**11,049.0**	9,829.3
Net reclassifications to other expenses or financial income and expense									**(1.1)**	(0.9)
Consolidated total revenues									**11,047.9**	9,828.4
(ii) Segment result										
Underlying profit for reportable segments[1]	**344.4**	279.5	**194.9**	182.6	**165.6**	90.0	**65.9**	127.1	**770.8**	679.2
Central expenses and net interest margin									**(70.1)**	(96.7)
Consolidated underlying profit before taxation									**700.7**	582.5
Non-underlying items:										
Amortisation and impairments of intangible assets and goodwill arising on business combinations	**(14.4)**	(13.0)	**(14.7)**	(118.7)	**(28.3)**	(14.8)	**(13.3)**	(14.1)	**(70.7)**	(160.6)
Net (losses)/gains on disposal of businesses and transaction costs on business combinations[2]	**(0.3)**	(0.6)	**9.7**	(1.6)	**(0.1)**	(1.7)	**(2.8)**	0.1	**6.5**	(3.8)
Net property revaluation gains/(losses)[3]	**17.8**	2.3	**(35.3)**	(67.7)	**(6.3)**	3.7	**–**	–	**(23.8)**	(61.7)
Realised and unrealised foreign exchange (losses)/gains	**(0.3)**	0.2	**(0.3)**	(0.1)	**(2.5)**	(2.0)	**22.5**	(9.8)	**19.4**	(11.7)
Other Market Unit non-underlying items[4]	**(1.0)**	(1.1)	**(12.7)**	(0.4)	**(0.7)**	1.4	**(0.9)**	(2.3)	**(15.3)**	(2.4)
Early termination of secured loans									**(112.3)**	–
Gains on return-seeking assets, net of hedging									**22.9**	7.0
Central non-underlying items[5]									**(4.5)**	25.0
Total non-underlying items									**(177.8)**	(208.2)
Consolidated profit before taxation expense									**522.9**	374.3

1 Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. International Markets includes Bupa Arabia, Max Bupa and Highway to Health. For further information please refer to Note 4.2.

2 Includes £12.3m profit on disposal of Bupa Home Healthcare in 2016 (see Note 2.4).

3 2016 includes £11.2m write down on reclassification as held for sale in the UK (see Note 2.4). 2015 includes a property and equipment write down in UK Care Services of £67.8m, of which £8.7m is equipment (see Note 3.2).

4 Includes £11.0m UK Market Unit restructuring costs and £4.2m net losses on disposal of fixed assets in 2016; includes £1.1m Market Unit restructuring costs, £0.7m impairment of investment in associate and £0.6m net losses on disposal of fixed assets in 2015.

5 Includes £25.5m receipt of deferred consideration in relation to the sale of Bupa Ireland Limited in 2015 (see Note 2.4).

	Australia and New Zealand		UK		Europe and Latin America		International Markets		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m	2016 £m	2015 £m
(iii) Other information										
Amortisation and depreciation costs for reportable segments	**61.9**	52.5	**93.9**	106.9	**64.6**	70.9	**36.6**	33.2	**257.0**	263.5
Non-cash (expense)/income for reportable segments	**(209.9)**	(166.4)	**(30.7)**	(35.8)	**64.8**	(77.5)	**(7.8)**	12.3	**(183.6)**	(267.4)
Unallocated non-cash income/(expense)									**15.9**	(31.2)
Total non-cash expenses									**(167.7)**	(298.6)

	Australasia		UK		Spain		Rest of the World		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m	2016 £m	2015 £m
(iv) Geographic information										
Consolidated total revenues	**4,360.6**	3,648.4	**3,344.1**	3,378.8	**1,414.6**	1,168.2	**1,928.6**	1,633.0	**11,047.9**	9,828.4
Consolidated non-current assets[1]	**3,418.1**	2,720.0	**1,980.3**	1,600.1	**522.9**	444.5	**1,646.5**	1,593.2	**7,567.8**	6,357.8

1 Consolidated non-current assets excludes financial investments, restricted assets, assets arising from insurance business, deferred taxation assets and post-employment benefit net assets.

Note

2.1
Revenues

Revenues in brief

The Group generates revenues from its underwriting activities (insurance premiums), trading activities through the provision of insurance management services (insurance service contracts) and the provision of healthcare services (care, health, dental and other).

Revenue stream	Recognition policy
Insurance premiums	**Gross insurance premiums** Gross insurance premiums represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, adjusted for the change in the provision for unearned premiums for premiums written relating to periods of risk in subsequent financial years. Premiums are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions. **Premiums ceded to reinsurers** Premiums ceded to reinsurers represent reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums. Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business.
Insurance service contracts	Contracts entered into by the Group's general insurance entities that do not result in the transfer of significant insurance risk to the Group are accounted for as insurance service contracts. These contracts mainly relate to the administration of claims funds on behalf of corporate customers. Revenues from service contracts are recognised as the services are provided. Some of these contracts contain financial liabilities representing deposits repayable to the customer. These are measured at amortised cost. The claims fund deposit held on behalf of customers is reported within other payables, accruals and deferred income as appropriate.
Care, health, dental and other	The Group generates income from fees receivable from the operation of its care homes, hospitals, dental centres and other healthcare and wellbeing centres. Revenues from insurance service contracts are recognised as the services are provided, with the exception of an element of revenue for performance based service contracts which is recognised as deferred income. The accounting policy for deferred income for performance based service contracts is explained in Note 3.0.6. **Service concession receivables** The Group also operates two public hospitals in Spain under separate service concession arrangements granted by the local governments (the grantors). Revenue is recognised from the construction of infrastructure and for operation of the hospitals. Construction revenues are recognised in line with the stage of completion of the work performed. Operational revenues are recognised in the period in which the services are provided, in line with the service concession arrangements. The accounting policy for the service concession receivables is explained in Note 3.0.1.

Total Revenues

	2016 £m	2015 £m
Gross premiums written	**8,058.1**	7,139.3
Change in gross provision for unearned premiums	**(13.8)**	(80.3)
Gross insurance premiums	**8,044.3**	7,059.0
Gross premiums written ceded to reinsurers	**(59.3)**	(50.3)
Reinsurers' share of change in gross provisions for unearned premiums	**5.4**	1.7
Premiums ceded to reinsurers	**(53.9)**	(48.6)
Net insurance premiums earned	**7,990.4**	7,010.4
Revenues from insurance service contracts	**18.7**	42.6
Care, health and other revenues	**3,038.8**	2,775.4
Total revenues	**11,047.9**	9,828.4

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for the year ended 31 December 2016

Note

2.2 Insurance Claims

Insurance claims in brief

Insurance claims relate to the Group's insurance underwriting activities. Insurance claims incurred are amounts payable under insurance contracts arising from the occurrence of an insured event.

Insurance claims

Insurance claims incurred comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period and the Risk Equalisation Trust Fund levy for Australian health insurance businesses. See Note 3.4 for details of the claims provision.

In Australia, the Risk Equalisation Trust Fund charges a levy to all registered private health insurers and then allocates a proportion of the cost of eligible claims between all fund participants.

Reinsurers' share of claims incurred

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

See 'Assets arising from insurance business' within Note 3.0.2 for the related balance sheet item and detail of impairments.

Net insurance claims incurred

	2016 £m	2015 £m
Insurance claims paid	**6,335.4**	5,593.8
Change in gross provisions for claims	**62.6**	(0.5)
	6,398.0	5,593.3
Risk Equalisation Trust Fund levy (net of recoveries)	**(65.1)**	(87.5)
Insurance claims incurred	**6,332.9**	5,505.8
Recoveries from reinsurers on claims paid	**(45.3)**	(36.1)
Reinsurers' share of change in gross provisions for claims	**2.4**	(1.0)
Reinsurers' share of claims incurred	**(42.9)**	(37.1)
Net insurance claims incurred	**6,290.0**	5,468.7

Note

2.3 Other operating expenses

Other operating expenses in brief

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

Operating expenses exclude insurance claims, finance costs and taxation.

Other operating expenses

	Note	2016 £m	2015 £m
Staff costs	2.3.1	**1,962.1**	1,712.0
Acquisition costs	2.3.2	**258.2**	226.0
Medical supplies and fees		**794.9**	878.6
Property costs		**181.8**	165.9
Operating lease rentals		**148.1**	126.5
Marketing costs		**124.3**	110.2
Catering and housekeeping costs		**75.2**	68.1
Consultancy fees		**53.5**	47.3
Net loss on foreign exchange transactions		**58.6**	15.0
Amortisation of intangible assets	3.1	**120.2**	116.0
Impairment of intangible assets	3.1	**35.0**	–
Depreciation expense	3.2	**161.7**	147.5
Other operating expenses (including auditors' remuneration)	2.3.3	**223.7**	190.7
Total other operating expenses		**4,197.3**	3,803.8

2.3.1 Staff cost and employee numbers

Staff costs

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

	2016 £m	2015 £m
Wages and salaries	**1,910.7**	1,653.7
Social security costs	**128.3**	114.3
Contributions to defined contribution schemes	**32.7**	29.6
Other pension amounts	**(2.7)**	5.6
Total staff costs	**2,069.0**	1,803.2
Staff costs relating to claims handling reported in claims	**(106.9)**	(91.2)
Staff costs in operating expenses	**1,962.1**	1,712.0

Directors' Remuneration Report is described on pages 42-52 of this report.

Employee numbers

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

Average employee numbers	2016	2015 (restated)
Australia and New Zealand	**13,287**	12,006
UK	**26,960**	27,333
Europe and Latin America	**22,503**	21,033
International Markets	**3,588**	3,361
Centre	**331**	285
Total employee numbers	**66,669**	64,018

The total employee headcount as at 31 December 2016 was 86,423 (2015: 83,635).

Reorganised Market Unit structure is detailed in Note 2.0.

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for the year ended 31 December 2016

2.3.2 Acquisition costs

	2016 £m	2015 £m
Commission for direct insurance	**253.8**	214.4
Other acquisition costs paid	**14.2**	14.6
Changes in deferred acquisition costs	**(9.8)**	(3.0)
Total acquisition costs	**258.2**	226.0

The movement in deferred acquisition cost is detailed in Note 3.0.2.

2.3.3 Auditors' remuneration

	2016 £m	2015 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.8**	0.8
Fees payable to the Company's auditor and its associates for:		
– the audit of the Company's subsidiaries pursuant to legislation	**4.8**	3.9
– audit-related assurance services	**0.8**	0.7
Total audit fees payable to the Company's auditors, KPMG LLP and its associates	**6.4**	5.4
Fees payable to other auditors:		
Audit of overseas subsidiary companies	**0.5**	0.2
Total audit fees	**6.9**	5.6
Fees payable to the Company's auditor and its associates for other services:		
Tax compliance services	**0.2**	0.3
Tax advisory services	**0.1**	0.1
Corporate finance services	**–**	1.0
All other non-audit services	**1.1**	1.5
Total non-audit fees	**1.4**	2.9
Total auditors' remuneration	**8.3**	8.5

In addition, fees in respect of the audit of The Bupa Pension Scheme were £56,000 (2015: £49,000).

Note

2.4 Other income and charges

Other income and charges in brief

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

Other income and charges

	Note	2016 £m	2015 £m
Net gain on disposal of business[1]	4.0.b	**10.7**	25.4
Movement in investment in associates provision		**–**	(0.7)
(Deficit)/surplus on revaluation of property	3.2	**(30.9)**	3.6
Write down of property[2]	3.2 ,4.1	**(14.5)**	(68.2)
Net loss on disposal of property, plant and equipment[3]		**(4.2)**	(0.7)
Total other income and charges		**(38.9)**	(40.6)

1 2016 includes £12.3m profit on disposal of Bupa Home Healthcare, which was sold to Celesio on 1 July 2016 and £1.6m loss on liquidation of Bupa Middle East Holdings. 2015 includes deferred consideration on 2007 disposal of Bupa Ireland Limited of £25.5m.

2 Includes £11.2m write down on reclassification as held for sale.

3 Includes loss on disposal of two office buildings which were sold in the year.

Note

2.5
Financial income and expense

Financial income and expense in brief

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

Financial income

Interest income, except in relation to assets classified at fair value through profit or loss, is recognised in the Income Statement as it accrues, using the effective interest method. Any mark to market movements are split between realised or unrealised.

Changes in the value of financial assets designated as at fair value through profit or loss are recognised within financial income as an unrealised gain or loss while the asset is held. Upon realisation of these assets, the change in fair value since the last valuation is recognised within financial income as a realised gain or loss.

	Note	2016 £m	2015 £m
Interest income:			
Loans and receivables		**41.2**	40.8
Investments designated as available for sale		**1.3**	–
Investments held to maturity		**2.8**	2.6
Investments designated at fair value through profit or loss		**3.3**	1.7
Net realised gains on financial investments designated at fair value through profit or loss		**5.4**	13.6
Realised gain on early termination of long term investment		**39.3**	–
Net increase/(decrease) in fair value:			
Investments designated at fair value through profit or loss		**19.7**	(4.4)
Investment property	3.3	**21.2**	11.6
Net foreign exchange translation gains		**77.9**	2.8
Total financial income		**212.1**	68.7

Included within 'net realised gains on financial investments designated at fair value through profit or loss' and 'investments designated at fair value through profit or loss' is a net gain, after hedging, on the Group's return seeking asset portfolio of £22.9m (2015: net gain of £7.0m). No financial investments designated at fair value through profit or loss are held for trading. A gain of £39.3m was recognised on the early termination of the financial investment which provided security against the repayment of the secured loans issued by UK Care No.1 Limited.

2016 net foreign exchange gain includes a £63.5m gain on the retranslation of US dollar and sterling investments held in Bupa Egypt as a result of a devaluation of the Egyptian pound in November 2016.

Financial expense

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

	2016 £m	2015 £m
Interest expense on financial liabilities at amortised cost	**86.3**	114.3
Finance charges in respect of finance leases	**0.8**	1.2
Loss on early repayment of debt	**151.6**	–
Other financial expenses	**2.5**	2.5
Total financial expense	**241.2**	118.0

A loss of £151.6m was recognised following the early redemption of the secured loans issued by UK Care No.1 Limited in April 2016. This has been partially offset by a £39.3m gain (in financial income) on the early termination of the financial investment which provided security against the A1 notes.

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Note

2.6
Taxation expense

Taxation expense in brief

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

The taxation expense on the profit for the year comprises current and deferred taxation. Income taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised directly in the Statement of Comprehensive Income.

(i) Recognised in the Income Statement

	2016 £m	2015 £m
Current taxation expense		
UK taxation on income for the year	**33.8**	20.8
Adjustments in respect of prior periods	**(3.2)**	(18.8)
	30.6	2.0
Double taxation relief	**(2.9)**	(2.5)
Foreign taxation on income for the year	**136.4**	109.0
Adjustments in respect of prior years	**0.2**	(8.8)
	136.6	100.2
Total current taxation	**164.3**	99.7
Deferred taxation income		
Origination and reversal of temporary differences	**(33.6)**	(11.1)
Adjustments in respect of prior periods	**2.7**	–
Changes in taxation rates	**2.7**	7.4
Total deferred taxation	**(28.2)**	(3.7)
Taxation expense	**136.1**	96.0

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

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

(ii) Reconciliation of effective taxation rate

	2016 £m	2015 £m
Profit before taxation expense	**522.9**	374.3
Taxation at the domestic UK corporation tax rate of 20.00% (2015: 20.25%)	**104.6**	75.8
Effect of:		
Different taxation rates in foreign jurisdictions	**28.1**	25.8
Non-deductible expenses	**0.9**	17.0
Current income taxation adjustments in respect of prior periods	**(3.0)**	(27.6)
Deferred taxation adjustments in respect of prior periods	**2.7**	–
Changes in taxation rate	**2.7**	7.4
Movement on deferred taxation asset not recognised	**0.1**	(2.3)
Group relief not paid for	**–**	(0.1)
Taxation expense at the effective rate of 26.0% (2015: 25.6%)	**136.1**	96.0

(iii) Current and deferred taxation recognised directly in Other Comprehensive Income

	2016 Taxation benefit/ (expense) £m	2015 Taxation benefit/ (expense) £m
Current taxation credit in respect of:		
Other foreign exchange translation differences	**15.9**	–
Deferred taxation (charge)/credit in respect of:		
Unrealised (loss)/profit on revaluation of property	**(10.3)**	16.0
Remeasurement gain on pension schemes	**7.7**	3.4
Change in fair value of underlying derivative of cash flow hedge	**(0.2)**	(0.4)
Taxation credit on income and expenses recognised directly in Other Comprehensive Income	**13.1**	19.0

Note

3.0
Working capital

Working capital in brief

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as trade and other receivables, assets and liabilities arising from insurance business, inventory, cash and trade and other payables.

3.0.1 Trade and other receivables

Current trade and other receivables are carried at amortised cost less impairment losses. Non-current trade and other receivables are carried at present value based on discounted cash flows, with the exception of prepayments carried at cost.

		2016 £m	2015 £m
Non-current			
Service concession receivables	(a)	**89.9**	77.7
Other receivables		**6.5**	6.8
Prepayments		**10.6**	8.1
Investment receivables and accrued investment income		**5.5**	4.3
Total non-current other receivables		**112.5**	96.9
Current			
Trade receivables – net of impairment losses	(b)	**183.6**	256.2
Service concession receivables	(a)	**123.4**	107.4
Other receivables		**94.8**	86.4
Prepayments		**49.0**	62.2
Accrued income		**50.5**	26.4
Investment receivables and accrued investment income		**0.3**	0.4
Total current trade and other receivables		**501.6**	539.0
Total trade and other receivables		**614.1**	635.9

The above balance is stated net of provisions for impairment losses. Information regarding the ageing of trade and other receivables is shown in Note 5.4.3.

The fair value of non-current investment receivables and accrued investment income is £5.2m (2015: £4.0m). The carrying value of the other non-current receivable balances are a reasonable approximation of the fair value.

(a) Service concession receivables

The Group has recognised two service concession receivables in respect of the public-private partnership arrangement with the Valencian and Madrid Governments (the grantors). Under the arrangement with the Valencian Government, the Sanitas business was contracted to build and operate the Manises hospital for the grantor for 15 years. Under the current arrangement with the Madrid Government, the Sanitas business was contracted to operate the Torrejón hospital for the grantor for 30 years.

A financial asset has been recognised for each arrangement to the extent that the Group has an unconditional contractual right to receive cash from, or at the direction of, the grantors for the services provided per capita head of the population covered. The service concession receivables are carried at amortised cost less impairment losses, and relates to construction revenues which are recognised in line with the stage of completion of the work performed and are included in place of the related asset, as at the end of the contract the ownership of the hospitals reverts to the grantors. The receivable also relates to operational revenues, which are recognised in the period in which the services are provided, in line with the service concession arrangements. Under IFRIC 12, revenue is recognised based on the average operating margin for the life of the contract. The operating margin is based on historic performance plus projections and this margin is reassessed based on changes in expected performance, with an adjustment made to the current year results to bring the contract performance to date in line with the revised margin.

In 2015 the financial asset was impaired by £52.0m due to the impact on our business case projections of customers from within our catchment area seeking treatment at other facilities, accentuated by the introduction of the Free Choice Act in Valencia in 2015.

(b) Impairment of financial assets

Financial assets comprise trade and other receivables and financial investments. Refer to Note 5.0 for financial investments.

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. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Income Statement. Impairment losses on trade receivables amounting to £5.4m (2015: £4.7m) have been charged to other operating expenses.

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3.0.2 Assets arising from insurance business

Financial assets arising from insurance business, excluding reinsurers' share of insurance provisions, are held at amortised cost. Valuation of reinsurers' share of insurance provisions is discussed in Note 3.4.

		2016 £m	2015 £m
Non-current			
Deferred acquisition costs	(a)	**2.2**	0.2
Total non-current assets arising from insurance business		**2.2**	0.2
Current			
Insurance debtors	(b)	**952.8**	799.8
Reinsurers' share of insurance provisions	(c)	**19.3**	4.8
Deferred acquisition costs	(a)	**103.5**	87.8
Medicare rebate	(d)	**72.9**	67.3
Risk Equalisation Trust Fund recoveries		**16.2**	20.8
Total current assets arising from insurance business		**1,164.7**	980.5
Total assets arising from insurance business		**1,166.9**	980.7

The above balance is stated net of provision for impairment losses. Information regarding the ageing of insurance debtors, Medicare rebate and Risk Equalisation Trust Fund recoveries is shown in Note 5.4.3.

(a) Deferred acquisition costs

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

The movement in deferred acquisition costs is as follows:

	2016 £m	2015 £m
At the beginning of the year	**88.0**	84.6
Acquisition costs deferred	**341.8**	288.0
Acquisition costs released to Income Statement	**(332.0)**	(285.0)
Foreign exchange	**7.9**	0.4
At end of year	**105.7**	88.0

(b) Insurance debtors

Impairment releases in respect of insurance debtors amounting to £5.6m (2015: release of £2.2m) have been recognised in other operating expenses in the Income Statement, detailed in Note 2.3.

(c) Reinsurers' share of insurance provisions

The recoverables due from reinsurers are shown within assets arising from insurance business and are assessed for impairment at each balance sheet date.

Reinsurers' share of insurance provisions are further analysed in Note 3.4.

(d) Medicare rebate

In Australia, the government provides a rebate to health insurers in respect of the premiums paid for private health insurance. Rebates due from the government but not received at the balance sheet date are recognised in assets arising from insurance business.

3.0.3 Cash and cash equivalents

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

Bank overdrafts of £nil (2015: £nil) that are repayable on demand and form an integral part of the Group's Capital Management Policy (see Note 5.3) are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	2016 £m	2015 £m
Cash at bank and in hand	**998.7**	684.2
Short-term deposits	**414.0**	509.9
Cash and cash equivalents	**1,412.7**	1,194.1

3.0.4 Restricted assets

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

	2016 £m	2015 £m
Non-current restricted assets	**55.8**	45.1
Current restricted assets	**4.2**	10.8
Total restricted assets	**60.0**	55.9

The restricted assets balance of £60.0m (2015: £55.9m) is split between non-current and current. The non-current restricted assets balance of £55.8m (2015: £45.1m) consists of cash deposits held to secure a charge over the non-registered pension arrangement maturing after 2022 (see Note 6.0). Included in current restricted assets is £3.2m (2015: £2.1m) in respect of claims funds held on behalf of corporate customers and £0.3m acquired restricted assets in relation to Care Plus.

3.0.5 Inventories

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

Inventories relating to drugs, prostheses, consumables and housing stock were £92.2m (2015: £82.9m).

Inventory write downs of £1.3m (2015: £0.1m) were made during the year. The Group consumed £384.4m (2015: £496.8m) of inventories, which are recognised within other operating expenses in the Income Statement.

3.0.6 Trade and other payables

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

		2016 £m	2015 £m
Non-current			
Accruals		**9.0**	8.5
Other payables		**14.1**	10.3
Deferred income	(a)	**1.2**	1.1
Total non-current other payables		**24.3**	19.9
Current			
Accruals		**462.1**	416.3
Accommodation bond liabilities	(b)	**558.5**	369.6
Trade payables		**134.6**	261.8
Other payables	(c)	**414.7**	354.0
Deferred income	(a)	**70.7**	75.3
Social security and other taxes		**32.8**	42.6
Total current trade and other payables		**1,673.4**	1,519.6
Total trade and other payables		**1,697.7**	1,539.5

The fair value of other payables and accruals are £424.1m (2015: £363.5m) and £495.2m (2015: £424.6m) respectively. The carrying value of the other trade and other payables is a reasonable approximation of the fair value. Information regarding the ageing of trade payables, other payables, accommodation bond liabilities and accruals is shown in Note 5.4.4.

(a) Deferred income

In respect of the Group's revenue and deferred revenue for performance based health service contracts, estimates are made by the Group based on the most recent performance evaluation data available at the year end and these estimates are utilised if they are determined to be reliable. Reliable estimates can only be made on an individual contract basis once the results of an initial performance evaluation are available, and revenue is deferred until the first reliable evaluation is available.

Where the results of the final performance assessment differ from the estimation or if an updated reliable estimate is available, the difference is recognised in the period in which such determination is made. Where reliable estimates are not available, the Group recognises revenue only to the extent of the contract costs recognised that the Group believes are recoverable.

(b) Accommodation bond liabilities

Accommodation bonds are non-interest bearing deposits paid by some residents of care homes held in Bupa Aged Care Australia as payment for a place in the care home facility. These deposits are repayable when the resident leaves the facility. The bonds are recorded as the proceeds received, net of retention and any other amounts deducted at the election of the bondholder.

(c) Other payables

Included within 2015 other payables is £91.1m in relation to the mandatory offer to market for the remaining 26.3% of Bupa Chile shares which were external to Bupa. This transaction completed in February 2016.

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for the year ended 31 December 2016

Note

3.1 Intangible assets

Intangible assets in brief

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

Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Impairment reviews are performed annually or more frequently if there is an indication that the carrying value may be impaired. Impairment reviews are performed at the level of the relevant cash generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where the fair value of net assets acquired is greater than the consideration paid, the excess is recognised immediately in the Income Statement.

Other intangible assets

Intangible assets, other than goodwill, that are acquired as part of a business combination are capitalised at fair value.

Intangible assets acquired separately are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the Income Statement on a straight line basis as follows:

– Computer software	2-7 years
– Brand and trademarks	10 years-indefinite
– Technology and databases	10 years
– Distribution networks	10-11 years
– Customer relationships	4-15 years
– Present value of acquired in-force business	20 years
– Customer contracts	4-6 years
– Licences to operate care homes	term of licence
– Leases	term of lease

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

Bed licences held by the Group have been attributed an indefinite useful life due to the fact that these licences, which are issued by the Australian Government, have no expiry date. Intangible assets with an indefinite useful life, or not yet available for use, are subject to annual impairment reviews.

Intangible assets

	Goodwill £m	Computer software £m	Brands/ Trademarks £m	Customer relationships £m	Other £m	Total £m
2016						
Cost						
At beginning of year	2,352.0	654.2	295.9	463.4	266.6	4,032.1
Assets arising on business combinations	118.8	0.4	–	(2.8)	–	116.4
Additions	–	92.2	–	0.8	10.1	103.1
Disposals of subsidiary companies	(58.5)	(2.9)	(3.1)	(22.9)	(1.1)	(88.5)
Disposals	–	(3.5)	–	–	–	(3.5)
Other	–	6.6	–	–	3.8	10.4
Foreign exchange	360.5	38.8	60.6	74.8	35.3	570.0
At end of year	2,772.8	785.8	353.4	513.3	314.7	4,740.0
Amortisation and impairment loss						
At beginning of year	374.3	438.4	75.8	179.4	102.2	1,170.1
Amortisation for year	–	70.3	7.1	34.2	8.6	120.2
Impairment loss	–	14.3	10.5	–	10.2	35.0
Disposals of subsidiary companies	(58.4)	(2.0)	(3.1)	(22.9)	(1.1)	(87.5)
Disposals	–	(2.2)	–	–	–	(2.2)
Other	–	6.6	–	–	3.8	10.4
Foreign exchange	25.0	25.0	12.9	27.6	12.1	102.6
At end of year	340.9	550.4	103.2	218.3	135.8	1,348.6
Net book value at end of year	**2,431.9**	**235.4**	**250.2**	**295.0**	**178.9**	**3,391.4**
Net book value at beginning of year	1,977.7	215.8	220.1	284.0	164.4	2,862.0
2015						
Cost						
At beginning of year	2,416.5	592.9	313.3	472.3	268.5	4,063.5
Assets arising on business combinations	59.7	0.2	–	2.0	–	61.9
Additions	–	82.1	–	0.8	5.9	88.8
Disposals of subsidiary companies	(24.7)	–	–	–	–	(24.7)
Disposals	–	(12.1)	–	–	–	(12.1)
Other	–	(2.2)	–	–	–	(2.2)
Foreign exchange	(99.5)	(6.7)	(17.4)	(11.7)	(7.8)	(143.1)
At end of year	2,352.0	654.2	295.9	463.4	266.6	4,032.1
Amortisation and impairment loss						
At beginning of year	288.4	382.5	72.0	153.5	95.0	991.4
Amortisation for year	–	69.8	6.5	30.4	9.3	116.0
Impairment loss	114.1	–	–	–	–	114.1
Disposals of subsidiary companies	(24.7)	–	–	–	–	(24.7)
Disposals	–	(11.7)	–	–	–	(11.7)
Other	–	0.3	–	–	–	0.3
Foreign exchange	(3.5)	(2.5)	(2.7)	(4.5)	(2.1)	(15.3)
At end of year	374.3	438.4	75.8	179.4	102.2	1,170.1
Net book value at end of year	**1,977.7**	**215.8**	**220.1**	**284.0**	**164.4**	**2,862.0**
Net book value at beginning of year	2,128.1	210.4	241.3	318.8	173.5	3,072.1

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Intangible assets of £3,391.4m (2015: £2,862.0m) includes £724.1m (2015: £668.5m) which is attributable to other intangible assets arising on business combinations (included within customer relationships, brand/trademarks and other) as follows:

	2016 £m	2015 £m
Customer relationships	**295.0**	284.0
Bed licences (within Bupa Aged Care Australia)	**123.1**	102.7
Brand and trademarks	**250.2**	220.1
Licences to operate care homes	**22.7**	34.6
Customer contracts	**3.4**	6.8
Leases	**9.3**	10.7
Distribution networks	**19.3**	8.5
Present valuation of acquired in-force business	**1.1**	1.1
Total	**724.1**	668.5

Impairment testing of goodwill

Intangible assets with indefinite useful lives are tested at least annually for impairment by comparing the net carrying value with the recoverable amount, using value in use (VIU) calculations for all cash generating units (CGUs) with the exception of Quality HealthCare goodwill which is determined on a fair value less costs of disposal (FVLCD) basis which has been externally valued.

In arriving at the value in use for each cash generating unit (CGU), key assumptions have been made regarding future projected cash flows, discount rates and terminal growth rates. The main assumptions upon which the cash flow projections are based include premiums and claims costs for our Health Insurance businesses, fee rate, cost of care and occupancy for our care services businesses and revenue growth and gross margins for hospitals and clinics. These valuation techniques are classified within level three of the IFRS 13 fair value hierarchy.

Aside from those mentioned below, cash flow projections have been based on management operating profit projections for a three year period which have been approved by the Board. Cash flow projections for Bupa Care Services UK and Bupa Chile are based on five years. LUX MED and Bupa Care Services New Zealand are based on longer periods of seven and ten years respectively as the business model of these CGUs requires investment beyond a three year period to reach a steady state of operation.

As part of the FVLCD valuation of Quality HealthCare, the external valuer produced a valuation of the business using a range of cash flow projections, looking ahead over periods up to twelve years, as well as using other market inputs.

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

Future post-taxation cash flows have been discounted at post-taxation discount rates. Discount rates used for the value in use calculations for each of the Group's CGUs are based on considerations of the specific risks associated with the business plans of each CGU, as well as external factors. These include the market assessment of the time value of money and the risks inherent in the relevant country where the cash flows are generated.

Cash flow projections beyond the forecast periods have been extrapolated by applying a terminal growth rate between 2.0% and 3.5% (2015: 2.5% and 3.7%) for all CGUs. The terminal growth rates represent an estimate of the long-term growth rate for each of the CGUs, taking into account the future and past growth rates and external sources of data.

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

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

	2016 %	2015 %
Bupa Australia Health Insurance	**9.3**	9.6
Bupa Aged Care Australia	**8.7**	9.0
Bupa Health Services Australia	**11.0**	11.5
Bupa Care Services New Zealand	**8.8**	8.8
Bupa Care Services UK	**7.9**	8.2
Bupa Cromwell Hospital	**10.0**	9.6
Dental UK	**7.7**	n/a
Bupa Chile	**12.6**	12.8
Sanitas Seguros	**10.1**	11.3
LUX MED	**10.3**	10.5
Quality HealthCare	**10.5**	10.4
Bupa Global	**10.3**	11.0

All CGUs are valued at the higher of VIU and FVLCD.

The recoverable amount of all CGUs is determined to be higher than their respective carrying amounts, resulting in no impairment to goodwill. In 2015, a partial impairment of the goodwill relating to Bupa Care Services UK (£114.1m) was recorded, along with impairment of property (£171.0m) and equipment (£8.7m) following the introduction of the National Living Wage from April 2016, and challenging trading conditions.

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

	2016 £m	2015 £m
Australia and New Zealand		
Bupa Australia Health Insurance	**928.8**	785.7
Bupa Aged Care Australia	**283.3**	239.8
Bupa Health Services Australia	**311.3**	252.5
Bupa Care Services New Zealand	**38.2**	31.5
UK		
Bupa Care Services UK	**87.4**	84.0
UK Dental (restated)[1]	**38.0**	21.3
Bupa Cromwell Hospital	**16.2**	16.2
Other (restated)[1]	**2.5**	2.5
Europe and Latin America		
Bupa Chile	**179.9**	142.4
LUX MED	**223.2**	196.0
Sanitas Seguros	**38.6**	29.0
Other	**10.1**	5.2
International Markets		
Quality HealthCare	**123.8**	103.8
Bupa Global	**67.8**	67.8
Care Plus	**82.8**	n/a
Total	**2,431.9**	1,977.7

1 Goodwill attributable to the UK Dental CGU in 2015 has been presented separately from Other UK.

Sensitivity to changes in key assumptions

A sensitivity analysis has been performed on the key assumptions used to determine the value in use for each CGU as at 31 December 2016.

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

It is possible that a change in key assumptions could cause the impairment of goodwill for Bupa Care Services New Zealand, Bupa Care Services UK, Bupa Chile, Bupa Health Services, LUX MED and Quality HealthCare. The table below shows the decrease required in the terminal growth rate or increase required in discount rate for the recoverable amount of the CGU to equal the carrying amount.

	Headroom £m	Terminal growth rate %	Decrease in terminal growth rate %	Increase in discount rate %
Bupa Care Services New Zealand	4.7	2.8	0.1	0.1
Bupa Care Services UK	63.8	2.5	0.4	0.4
Bupa Chile	10.4	3.2	0.1	0.1
Bupa Health Services	102.4	3.0	2.1	1.9
LUX MED	53.3	3.5	0.8	0.6
Quality HealthCare	22.5	3.5	0.5	0.3

Impairment of other intangible assets

At 31 December 2016, the recoverable amounts of other intangible assets with indefinite useful lives were tested in respect of their carrying amounts, resulting in an impairment of £15.0m. £10.5m was recognised in relation to impairment of brands arising on business combinations in Bupa Chile and £4.5m in relation to impairment of computer software projects not yet completed in Bupa Global. In the prior year there were no impairments of intangible assets with indefinite lives.

Intangible assets that are subject to amortisation were reviewed, resulting in an impairment of £20.0m. £10.2m was recognised in relation to the impairment of UK care home licences arising on business combinations, £4.2m for IT software in Bupa Care Services UK and £5.6m for IT software in Bupa Global. In the prior year there was an impairment of £0.7m to intangible assets.

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for the year ended 31 December 2016

Note

3.2
Property, plant and equipment

Property, plant and equipment in brief

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

Most of the assets held relate to care homes and hospital properties and equipment, and office buildings.

Equipment

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

Depreciation

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

– Freehold buildings	50 years
– Leasehold buildings	shorter of useful life or lease term
– Equipment (leasehold improvements)	shorter of useful life or lease term
– Equipment	3-10 years

Impairment

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

Leased assets

Leases are classified as finance leases when the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

On initial recognition, the leased asset is measured at the amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Finance lease liabilities, net of finance charges in respect of future periods, are included within other interest bearing liabilities (see Note 5.1). The interest element of the obligation is allocated over the lease term to reflect a constant rate of interest on the outstanding obligation.

Leasehold land, where no option to obtain title exists, is treated as an operating lease. Assets classified as being under operating leases are not capitalised and therefore not recognised within the balance sheet (Note 6.1). Payments made under operating leases are recognised as prepayments within trade and other receivables within Note 3.0.1 and are recognised in the Income Statement on a straight line basis over the term of the lease within other operating expenses (Note 2.3).

The amount included in property, plant and equipment in respect of equipment held under finance leases is £0.3m (2015: £0.1m).

Property, plant and equipment

	Note	Freehold property £m	Leasehold property £m	Leasehold Improvements £m	Equipment £m	Total £m
2016						
Cost or valuation						
At beginning of year		2,188.0	111.1	103.1	1,006.6	3,408.8
Additions through business combinations		20.5	–	0.5	3.6	24.6
Additions		200.6	1.0	20.4	130.4	352.4
Transfer to assets held for sale	4.1	(367.8)	(8.6)	–	(184.4)	(560.8)
Disposals		(29.4)	–	(12.7)	(18.5)	(60.6)
Disposals of subsidiaries		–	(7.2)	–	(5.8)	(13.0)
Revaluations		5.4	9.5	–	–	14.9
Other		10.4	(17.4)	46.1	(38.0)	1.1
Foreign exchange		233.7	2.0	21.4	105.5	362.6
At end of year		2,261.4	90.4	178.8	999.4	3,530.0
Depreciation and impairment loss						
At beginning of year		65.4	23.8	42.3	438.6	570.1
Depreciation charge for year		34.2	5.7	13.0	108.8	161.7
Transfer to assets held for sale	4.1	–	–	–	(70.5)	(70.5)
Disposals		(14.8)	–	(11.5)	(12.0)	(38.3)
Disposals of subsidiaries		–	(6.4)	–	(3.7)	(10.1)
Revaluations		(12.9)	1.9	–	–	(11.0)
Other		1.2	(2.0)	(2.2)	1.7	(1.3)
Foreign exchange		10.0	0.1	7.6	60.1	77.8
At end of year		83.1	23.1	49.2	523.0	678.4
Net book value at end of year		**2,178.3**	**67.3**	**129.6**	**476.4**	**2,851.6**
Net book value at beginning of year		2,122.6	87.3	60.8	568.0	2,838.7
2015						
Cost or valuation						
At beginning of year		2,250.9	149.8	52.2	986.3	3,439.2
Additions through business combinations		27.8	–	–	19.1	46.9
Additions		129.3	1.2	11.1	132.1	273.7
Disposals		(10.3)	(1.8)	(3.7)	(71.5)	(87.3)
Revaluations		(162.1)	(14.1)	–	–	(176.2)
Other		17.3	(23.1)	45.5	(35.8)	3.9
Foreign exchange		(64.9)	(0.9)	(2.0)	(23.6)	(91.4)
At end of year		2,188.0	111.1	103.1	1,006.6	3,408.8
Depreciation and impairment loss						
At beginning of year		58.4	34.9	15.4	414.9	523.6
Depreciation charge for year		33.5	3.9	9.5	100.6	147.5
Disposals		(3.5)	(1.7)	(2.9)	(69.7)	(77.8)
Revaluations		(33.8)	(4.4)	–	–	(38.2)
Impairments		11.2	–	–	8.9	20.1
Other		(1.6)	(8.7)	8.7	1.3	(0.3)
Foreign exchange		1.2	(0.2)	11.6	(17.4)	(4.8)
At end of year		65.4	23.8	42.3	438.6	570.1
Net book value at end of year		**2,122.6**	**87.3**	**60.8**	**568.0**	**2,838.7**
Net book value at beginning of year		2,192.5	114.9	36.8	571.4	2,915.6

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Freehold and leasehold properties

Freehold and leasehold properties comprise care homes, care villages, clinics, hospitals and offices and are initially measured at cost and subsequently at revalued amount less accumulated depreciation and impairment losses. These properties are subject to periodic valuations performed by external independent valuers. At each revaluation date, accumulated depreciation (and impairment) is eliminated against the gross carrying value of the asset. Borrowing costs relating to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

Revaluation of properties

Valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from fair value at the balance sheet date. The revaluation of certain UK properties and Polish properties carried out in 2016 was performed independently by Knight Frank Chartered Surveyors and in Chile by Tinsa and Phi Partners. Revaluations were effective as of 30 November in the year in which they were undertaken. Directors' valuations were performed in the year where it was identified that carrying value differed significantly from fair value.

Care homes and hospitals are valued with regard to their trading potential based on discounted cash flow techniques, the principal assumptions are: quantifying a fair, maintainable level of trade and profitability; levels of competition; and assumed ability to renew existing licences, consents, certificates or permits.

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

The significant assumptions used in the calculation of the fair values of the material level three freehold and leasehold properties in the Group are:

Freehold and Leasehold Property	Australia	New Zealand	UK	Spain	Chile	LUX MED
Average occupancy rate	93.9%	92.1%	86.5%	96.3%	69.1%	N/A
Average capitalisation rate	15.1%	14.7%	13.5%	9.1%	8.2%	10.0%

Level Two

UK

All UK properties apart from those held by Bupa Care Services UK are classified as level two with fair values being determined by an external valuer based on market values of similar properties which have been carried out in November 2016.

Europe and Latin America

Regional offices and clinics in Spain and Poland are valued by external valuers based on market value and these are classified as level two.

Bupa Chile offices, medical centres and clinics are valued based on replacement cost and market comparables which are observable inputs and therefore these properties are classified as level two.

Level Three

UK, Australia and New Zealand, Europe and Latin America

All care homes in the Group and hospitals in Spain, Chile and Poland are classified as level three. Their valuations are determined based on a capitalisation of earnings approach. A multiple is applied to each facility's earnings to project the financial performance of the facility to determine its value in use. The multiple applied for each facility is set based on qualitative and quantitative indicators of the facility's current and future performance and assumes normal prudent management of the facility. Unobservable inputs for these properties include the average capitalisation rate which is the average rate of return on a property based on the income that the property is expected to generate. It considers trends in earnings and land values. For all properties except those in Poland, the average occupancy is also an unobservable input.

Sensitivity analysis

The sensitivity analysis below considers the impact on the year end valuation of level three properties, and is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in assumptions may be correlated.

Australia	0.5% absolute increase	0.5% absolute decrease
Average occupancy rate	£2.0m increase	£2.0m decrease
Average capitalisation rate	£15.0m decrease	£16.0m increase

New Zealand	0.5% absolute increase	0.5% absolute decrease
Average occupancy rate	£1.3m increase	£1.3m decrease
Average capitalisation rate	£7.3m decrease	£7.9m increase

UK	0.5% absolute increase	0.5% absolute decrease
Average occupancy rate	£10.3m increase	£10.3m decrease
Average capitalisation rate	£29.2m decrease	£32.0m increase

Spain	0.5% absolute increase	0.5% absolute decrease
Average occupancy rate	£0.1m increase	£0.2m decrease
Average capitalisation rate	£14.1m decrease	£16.0m increase

Chile	0.5% absolute increase	0.5% absolute decrease
Average occupancy rate	£0.8m increase	£0.8m decrease
Average capitalisation rate	£0.6m decrease	£0.7m increase

LUX MED	0.5% absolute increase	0.5% absolute decrease
Average capitalisation rate	£0.3m decrease	£0.1m increase

The table below sets out the reconciliation of the opening and closing balances for property classified as level three fair value measurement as at 31 December 2016.

	Freehold Property £m	Leasehold Property and Improvement £m
At 1 January 2016	1,999.5	113.5
Reclassification of property levels	33.9	(7.8)
Additions	186.1	5.0
Transfer to assets held for sale	(367.8)	(8.6)
Disposals	(6.7)	(0.2)
Revaluation and write down through the Income Statement	(15.7)	(0.9)
Revaluation and write down through Other Comprehensive Income	58.5	27.7
Depreciation	(33.3)	(5.5)
Other	(7.6)	(1.8)
Foreign exchange	218.6	10.8
At 31 December 2016	**2,065.5**	**132.2**

The table below shows the date at which properties were last subject to external valuation.

	Freehold Property £m	Leasehold Property and Improvement £m
Valuation – December 2016	1,037.2	42.2
Valuation – December 2015	176.3	38.6
Valuation – December 2014	11.8	3.0
Valuation – December 2013	774.1	0.2
Assets held at cost [1]	262.0	185.2
Cost or valuation	**2,261.4**	**269.2**

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

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

A £68.4m revaluation gain (2015: £36.5m) and £4.9m write down loss (2015: £121.1m) have been recognised in the property revaluation reserve.

In the current year, a revaluation deficit of £30.9m (2015 surplus: £3.6m) and write down of £14.5m (2015: £68.2m) were charged to the Income Statement (see Note 2.4).

Recognised in the carrying amount of freehold property is £158.4m (2015: £113.0m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued assets

	2016 £m	2015 £m
Historical cost of revalued assets	**2,153.8**	2,081.3
Accumulated depreciation based on historical cost	**(176.9)**	(296.6)
Historical cost net book value	**1,976.9**	1,784.7
Depreciation charge for the year on historical cost	**43.1**	41.6

The historical cost of all property, plant and equipment is £3,194.1m (2015: £3,087.2m).

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Note

3.3
Investment properties

Investment properties in brief

Investment properties are physical assets that are not occupied by the Group and are leased to third parties to generate rental income.

Most investment properties held by the Group relate to a portfolio of retirement villages in New Zealand.

Investment properties are measured at fair value, determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

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

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

Any gain or loss arising from a change in the fair value is recognised in the Income Statement within financial income and expense.

(i) Investment properties

	2016 £m	2015 £m
At 1 January 2016	**270.9**	242.0
Additions	**37.7**	35.0
Disposals	**(0.6)**	(0.4)
Increase in fair value	**21.2**	11.6
Reclassifications to Property, Plant and Equipment	**–**	(1.0)
Foreign exchange	**62.1**	(16.3)
At 31 December 2016	**391.3**	270.9

The historical cost of investment properties is £210.5m (2015: £173.9m).

In the current year, a revaluation surplus of £21.2m (2015: £11.6m) was credited to the Income Statement.

Of the £391.3m (2015: £270.9m) of investment properties in the balance sheet as at 31 December 2016, £6.5m (2015: £6.2m) was either valued based on active market prices by external valuers, Knight Frank, Chartered Surveyors or Chilean valuers Tinsa or Phi Partners. These properties are categorised as level two within the fair value hierarchy.

The remaining carrying value of investment properties of £384.8m (2015: £264.7m), primarily consisting of the Group's portfolio of retirement villages in New Zealand, was valued by management using internally prepared discounted cash flow projections, supported by the terms of any existing lease and other contracts, and when possible, by external evidence such as current market rents for similar properties in the same location and condition. Discount rates are used to reflect current market assessments of the uncertainty in the amount or timing of the cash flows. The discounted cash flow projections are reviewed by an independent valuer, Deloitte. These properties are categorised as level three within the fair value hierarchy.

Significant assumptions used in the valuation include:

Australia and New Zealand	
Discount rate	9.0%
Capital growth rate	2.6%
Provision for capital replacement	0.4%
Vacancy period	3 months
Turnover in apartments and villas	4–7 years

The following table sets out the reconciliation of the opening and closing balances for investment properties classified as level three fair value measurements as at 31 December 2016:

	Total £m
At 1 January 2016	264.7
Additions	37.7
Unrealised gains recognised in financial income	21.0
Foreign exchange	61.4
At 31 December 2016	**384.8**

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

Australia and New Zealand	0.5% absolute increase	0.5% absolute decrease
Discount rate	£8.8m decrease	£10.0m increase
Capital growth rate	£24.4m increase	£21.1m decrease

(ii) Leases as lessor

Investment properties include commercial properties which are leased to third parties. The leases contain an initial non-cancellable period of between one and three years. Subsequent renewals are negotiated with the lessee.

The Group leases out its investment properties under operating leases. The future lease receipts under non-cancellable leases are as follows:

	2016 £m	2015 £m
Less than one year	**0.2**	0.2
Between one and five years	**1.0**	1.0
More than five years	**0.5**	0.8
Total	**1.7**	2.0

During the year ended 31 December 2016, the Group's retirement village portfolio generated £13.4m (2015: £9.8m) of income which was recognised as revenue in the Income Statement. Total direct operating expenses of these retirement villages amounted to £8.5m (2015: £6.6m). £0.3m (2015: £0.3m) was recognised as rental income in the Income Statement for other investment properties held by the Group. Direct operating expenses of these properties amounted to £nil (2015: £0.1m).

Note

3.4 Provisions and other liabilities under insurance contracts issued

Provisions and other liabilities under insurance contracts issued in brief

The provisions and other liabilities under insurance contracts issued arise from the Group's underwriting activities.

The provisions mainly relate to unearned premiums, which are deferred revenues that relate to future periods; and claims, where an estimate is made of the expense required to settle existing insurance contract obligations. The other liabilities primarily consist of obligations to repay deposits and commissions payable.

3.4.1 Provisions under insurance contracts issued

Unearned premiums

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

Provision for claims

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

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

Adjustments to the amount of claims provision for prior years are included in the Income Statement in the financial year in which the change is made. In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence set is either one required by regulation or one that provides an appropriate degree of confidence.

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Provision is made for unexpired risks when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and administrative expenses. The expected claims are calculated having regard only to contracts commencing prior to the balance sheet date. The methods used and estimates made for claims provisions are reviewed regularly.

		2016			2015		
		Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
General insurance business							
Provisions for unearned premiums	(a)	**1,705.2**	**(11.6)**	**1,693.6**	1,570.4	(3.0)	1,567.4
Provisions for claims	(b)	**889.6**	**(6.6)**	**883.0**	657.1	(0.9)	656.2
Long-term business							
Provisions for life insurance benefits		**33.9**	**(1.1)**	**32.8**	27.6	(0.9)	26.7
Total insurance provisions		**2,628.7**	**(19.3)**	**2,609.4**	2,255.1	(4.8)	2,250.3
Non-current		**33.9**	**–**	**33.9**	27.6	–	27.6
Current		**2,594.8**	**(19.3)**	**2,575.5**	2,227.5	(4.8)	2,222.7
Total insurance provisions		**2,628.7**	**(19.3)**	**2,609.4**	2,255.1	(4.8)	2,250.3
(a) Analysis of movements in provisions for unearned premiums							
At beginning of year		**1,570.4**	**(3.0)**	**1,567.4**	1,499.4	(9.3)	1,490.1
Premiums deferred		**8,058.1**	**(57.3)**	**8,000.8**	7,136.4	(48.6)	7,087.8
Deferred premiums released to income		**(8,044.5)**	**51.9**	**(7,992.6)**	(7,051.8)	47.0	(7,004.8)
Transfers		**(0.2)**	**(4.2)**	**(4.4)**	(7.6)	7.6	–
Foreign exchange		**121.4**	**1.0**	**122.4**	(6.0)	0.3	(5.7)
At end of year		**1,705.2**	**(11.6)**	**1,693.6**	1,570.4	(3.0)	1,567.4
(b) Analysis of movements in provisions for claims							
At beginning of year		**657.1**	**(0.9)**	**656.2**	683.1	(5.7)	677.4
Additions through business combinations		**17.3**	**–**	**17.3**	–	–	–
Cash paid to settle claims		**(6,269.4)**	**44.9**	**(6,224.5)**	(5,505.1)	35.4	(5,469.7)
Decrease for prior years' claims		**(3.5)**	**–**	**(3.5)**	(4.8)	(0.2)	(5.0)
Increase for current year claims		**6,399.9**	**(42.4)**	**6,357.5**	5,596.2	(36.2)	5,560.0
Risk Equalisation Trust Fund levy		**(65.2)**	**–**	**(65.2)**	(87.5)	–	(87.5)
Transfers		**42.4**	**(8.0)**	**34.4**	(5.8)	5.8	–
Foreign exchange		**111.0**	**(0.2)**	**110.8**	(19.0)	–	(19.0)
At end of year		**889.6**	**(6.6)**	**883.0**	657.1	(0.9)	656.2

Assumptions for general insurance business

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

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

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

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

The following table shows the sensitivities to such variation:

		Increase in claims	Increase in expenses
2016			
Change in variable	%	5.0	10.0
Reduction in profit net of reinsurance before taxation	£m	67.1	19.3
2015			
Change in variable	%	5.0	10.0
Reduction in profit net of reinsurance before taxation	£m	61.1	15.4

These variances would reduce the amount of profit that would otherwise emerge in subsequent periods. Since premium provisions include profit margins and claims provisions include prudence margins, variance from expectations can be absorbed by these margins.

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

Liability adequacy tests

Liability adequacy tests are performed for Bupa's 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 Income Statement.

3.4.2 Other liabilities under insurance contracts issued

Other liabilities under insurance contracts issued consist of payables to insurance creditors other than policyholders.

	2016 £m	2015 £m
Reinsurers' deposits	**5.7**	2.6
Reinsurance payables	**26.7**	18.9
Commissions payable	**13.8**	12.2
Other insurance payables	**96.8**	38.4
Total other liabilities under insurance contracts issued	**143.0**	72.1

Note

3.5 Provisions for liabilities and charges

Provisions for liabilities and charges in brief

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

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

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

	Long service and annual leave £m	Provisions for contingent consideration £m	Customer remediation and legal provisions £m	Insurance provisions £m	Unoccupied property £m	Regulatory provisions £m	Other £m	Total £m
At beginning of year	47.3	22.8	2.3	9.6	2.8	3.7	8.1	96.6
Acquisitions through business combinations	0.1	8.9	0.6	–	–	–	–	9.6
Charge for year	43.3	1.1	4.4	7.5	0.6	0.7	3.2	60.8
Released in year	(0.6)	(4.7)	(1.4)	–	(1.6)	(1.0)	(0.2)	(9.5)
Utilised in year – cash	(38.1)	(13.8)	(0.5)	(6.9)	–	(3.3)	(0.6)	(63.2)
Disposal of subsidiary companies	–	–	–	–	–	–	(0.3)	(0.3)
Foreign exchange	9.1	2.8	0.5	–	–	–	0.3	12.7
At end of year	**61.1**	**17.1**	**5.9**	**10.2**	**1.8**	**0.1**	**10.5**	**106.7**
Non-current	17.0	11.0	–	7.6	1.8	–	4.6	42.0
Current	44.1	6.1	5.9	2.6	–	0.1	5.9	64.7
Total provisions for liabilities and charges	**61.1**	**17.1**	**5.9**	**10.2**	**1.8**	**0.1**	**10.5**	**106.7**

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Long service and annual leave

The long service leave provision relates to territories where employees are legally entitled to substantial paid leave after completing a certain length of qualifying service. Uncertainty around both the amount and timing of future outflows arises as a result of variations in employee retention rates, which may vary based on historical experience. The annual leave provision relates to territories where the annual entitlement of leave is not required to be taken within a predetermined time nor does it expire. Therefore uncertainty exists around the timing of future outflows as well as around the amount of future outflows due to wage inflation.

Provisions for contingent consideration

Contingent consideration is a financial liability largely related to earn-out payable on acquisitions of dental practices in Australia and the UK. The deferred consideration arising from the purchase of Dental Corporation Ltd (Australia) on 31 May 2013 was fully paid during the year with the remaining balance in Australia relating to payments to practice principals. In the UK, the deferred consideration relates to the acquisition of dental centres. This balance is reviewed at each reporting period and any fair value adjustments are recorded in the Income Statement.

Customer remediation and legal provisions

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

Insurance provisions

The insurance provision is in respect of the Group's self insurance and covers the excess that arises on claims made in relation to losses arising from damage to property, business interruption and medical, employee or public liability. Any outflows relating to this provision are dependent on the frequency and value of claims submitted as well as the excess amount specified within individual policies with insurers. The fund is actuarially assessed twice a year to ensure that the provision is adequate.

Unoccupied property

In prior years, the Group entered into non-cancellable leases for property which it no longer occupies. The Group has provided for lease obligations, net of sub-lease receivables. The lease obligations are payable monthly, quarterly or annually, within a range of one to 13 years, the average being five years. The future net outflows are uncertain and are affected by the Group's ability to sub-let unoccupied property.

Regulatory provisions

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

Other

Other provisions include amounts relating to payments under legislation and restructuring costs.

Note

3.6 Post-employment benefits

Post-employment benefits in brief

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees and directors, in addition to an unfunded (non-registered) and a post-retirement medical benefit scheme.

The main defined benefit scheme is The Bupa Pension Scheme which has been closed to new entrants since 1 October 2002.

The principal defined contribution pension scheme is The Bupa Retirement Savings Plan.

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

Defined contribution pension schemes

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

Defined benefit post-employment schemes

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

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

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

(i) Amount recognised in the Consolidated Income Statement

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

	2016 £m	2015 £m
Current service cost	**9.1**	10.2
Past service cost	**0.7**	–
Gains on curtailments	**–**	(0.4)
Net interest on defined benefit liability/asset	**(14.2)**	(10.7)
Administrative expenses	**1.7**	2.0
Total amount (credited)/charged to Consolidated Income Statement	**(2.7)**	1.1

The charge to operating expenses in respect of cash contributions to defined contribution schemes is £32.7m (2015: £29.2m).

(ii) Amount recognised directly in Other Comprehensive Income

The amounts charged/(credited) directly to Equity:

	2016 £m	2015 £m
Actual return less expected return on assets	**(396.6)**	44.5
Loss/(gain) arising from changes to financial assumptions	**437.2**	(45.1)
Gain arising from changes to experience assumptions	**(25.7)**	(19.5)
(Gain)/loss arising from changes to demographic assumptions	**(0.3)**	3.2
Total remeasurement losses/(gains) charged/(credited) directly to Equity	**14.6**	(16.9)

The cumulative amount of remeasurement losses recognised directly in Equity is £25.1m (2015: £10.5m).

3.6.1 Group post-employment benefit schemes

Defined contribution pension schemes

The principal defined contribution pension scheme in the UK is the Bupa Retirement Savings Plan. This scheme has been in effect since 1 October 2002 and is available to permanent employees of The British United Provident Association Limited and Bupa Insurance Services Limited to join on a voluntary basis. There are several other contract based defined contribution arrangements available to employees of other employers within the Group to join on a voluntary basis. The Group automatically enrols any eligible non-pensioned employees into the National Employment Savings Trust (NEST).

Defined benefit post-employment schemes

The principal defined benefit scheme in the UK is The Bupa Pension Scheme. Contributions by employees and by Group companies are paid into separate funds administered by a corporate trustee. The scheme has been closed to new entrants since 1 October 2002, but its existing members continue to accrue pension entitlements.

Contributions by Group companies to this scheme are made in accordance with the recommendations of the independent scheme actuary.

The independent scheme actuary for The Bupa Pension Scheme performs detailed triennial valuations together with annual interim reviews. Both triennial and interim valuations use the attained age method, recognising the closure of the scheme to new entrants.

At the most recent triennial valuation, as at 1 July 2014 the scheme's independent actuary recommended payment of employer contributions at the rate of 24.8%. In addition to these employer contributions a payment equivalent to the employee contribution of 7% of pensionable salaries is paid as part of the Group's salary sacrifice arrangement (known as PeopleChoice Pensions). There is a corresponding reduction in members' wages and salaries as a result.

The expected contributions payable in 2017, with regards to the accumulation of future benefits, are £6.8m in respect of The Bupa Pension Scheme and £6.2m in respect of PeopleChoice Pensions.

There are several other smaller defined benefit pension schemes operated by UK and overseas subsidiaries. The defined benefit pension schemes are assessed by independent scheme actuaries in accordance with UK or local practice and under IAS 19 as at 31 December 2016 for the purposes of inclusion in the Group's consolidated financial statements. Complete disclosure of these other defined benefit pension schemes is not practicable within this report but they are disclosed within the financial statements of the relevant sponsoring employer of each scheme.

Unfunded schemes

Unfunded defined benefit pension arrangements exist for certain employees and former employees to provide benefits in addition to the funded pension arrangements provided by the Group. There are no separate funds or assets in the Statement of Financial Position to support the unfunded schemes; however, provisions included in the Statement of Financial Position in respect of these liabilities and assets are ring fenced to support these liabilities.

The latest valuation of these arrangements was performed as at 31 December 2016 under IAS 19 by the Group's independent actuary. The charge to the Consolidated Income Statement in respect of these arrangements and the assessment of the related pension liability as at 31 December 2016 have been made in accordance with this latest valuation, which used the same principal assumptions as adopted at 31 December 2016 under IAS 19 for The Bupa Pension Scheme.

Post-retirement medical benefit scheme

The Group also provides unfunded post-retirement medical benefits for certain former employees. These benefits were granted under an agreement which closed to new entrants in 1992. The latest valuation of this scheme was carried out on 31 December 2016 by an actuary employed by the Group using the same key assumptions as adopted at 31 December 2016 under IAS 19 for The Bupa Pension Scheme.

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(iii) Assets and liabilities of schemes

	Note	Pension schemes		Post-retirement medical benefit scheme		Total	
		2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Present value of funded obligations	(iv)	**(1,764.2)**	(1,356.3)	**–**	–	**(1,764.2)**	(1,356.3)
Fair value of scheme assets	(v)	**2,225.0**	1,761.5	**–**	–	**2,225.0**	1,761.5
Net assets of funded schemes		**460.8**	405.2	**–**	–	**460.8**	405.2
Present value of unfunded obligations	(iv)	**(54.0)**	(42.8)	**(10.6)**	(8.5)	**(64.6)**	(51.3)
Net recognised assets/(liabilities)		**406.8**	362.4	**(10.6)**	(8.5)	**396.2**	353.9

Represented on the Statement of Financial Position		
Net liabilities	**(85.1)**	(59.5)
Net assets	**481.3**	413.4
Net recognised assets	**396.2**	353.9

(iv) Present value of funded schemes' obligations

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

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
At beginning of year	**1,399.1**	1,431.8	**8.5**	11.4	**1,407.6**	1,443.2
Current service costs	**9.1**	10.2	**–**	–	**9.1**	10.2
Past service costs	**0.7**	–	**–**	–	**0.7**	–
Interest on obligations	**54.1**	53.0	**0.3**	0.4	**54.4**	53.4
Contribution by employees	**0.5**	0.6	**–**	–	**0.5**	0.6
Loss/(gain) arising from changes to financial assumptions	**435.8**	(45.1)	**1.4**	–	**437.2**	(45.1)
(Gain)/loss arising from changes to experience assumptions	**(26.8)**	(19.5)	**1.1**	–	**(25.7)**	(19.5)
(Gain)/loss arising from changes to demographic assumptions	**(0.3)**	6.0	**–**	(2.8)	**(0.3)**	3.2
Benefits paid	**(56.6)**	(36.6)	**(0.7)**	(0.5)	**(57.3)**	(37.1)
Gains on curtailment	**–**	(0.4)	**–**	–	**–**	(0.4)
Foreign exchange	**2.6**	(0.9)	**–**	–	**2.6**	(0.9)
At end of year	**1,818.2**	1,399.1	**10.6**	8.5	**1,828.8**	1,407.6

(v) Fair value of funded schemes' assets

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

	2016 £m	2015 £m
At beginning of year	**1,761.5**	1,728.5
Interest income	**68.6**	64.2
Return on assets excluding interest income	**396.6**	(44.5)
Contributions by employer	**50.1**	49.7
Contributions by employees	**0.5**	0.6
Administration expenses	**(1.7)**	(2.1)
Benefits paid	**(54.0)**	(33.9)
Foreign exchange	**3.4**	(1.0)
At end of year	**2,225.0**	1,761.5

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

	2016 £m	2016 %	2015 £m	2015 %
Debt instruments	**494.1**	**22**	587.7	34
Gilts	**801.6**	**36**	524.6	30
Corporate bonds	**767.8**	**35**	462.3	26
Cash/other assets	**77.5**	**4**	89.0	5
Equities	**51.7**	**2**	65.8	4
Diversified growth funds	**23.7**	**1**	24.0	1
Government bonds	**7.0**	**–**	6.5	–
Property	**1.6**	**–**	1.6	–
Total market value of the assets of the funded schemes	**2,225.0**		1,761.5	

All assets have a quoted market price.

3.6.2 Actuarial assumptions

The responsibility for setting the assumptions underlying the IAS 19 valuations rests with the directors, having first taken advice from an independent actuary.

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

		Funded schemes		Unfunded schemes	
	Section	2016 %	2015 %	2016 %	2015 %
Inflation rate	(a)	**3.2**	3.1	**3.3**	3.2
Rate of increase in salaries	(a)	**3.7**	3.7	**3.8**	3.7
Rate of increase to pensions in payment	(a)	**3.1**	3.0	**3.2**	3.1
Rate of increase to pensions in deferment	(a)	**2.3**	2.2	**2.2**	2.2
Discount rate for scheme assets and obligations	(a)	**2.7**	3.9	**2.9**	3.9
Medical cost trend rate	(b)	**–**	–	**4.0**	4.0

(a) Actuarial assumptions underlying the valuation of obligations

The inflation assumption is set by reference to the difference between the yield on long-term fixed interest gilts and the real yield on index-linked gilts, with a deduction of 0.2% to reflect an inflation risk premium. The rate of increase of pensions in payment is the same as the inflation rate, with the exception of benefits which receive fixed increases in payment as defined under the respective scheme rules.

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

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

(b) Medical cost trend rate

The medical cost trend rate is the assumed additional escalation of medical costs over and above the assumed inflation rate. It is assumed that such an effect will continue during the remaining run-off of the liability. Assumed medical cost trend rates have an impact on the amounts recognised in the Consolidated Income Statement. A one percentage point change in assumed medical cost trend rates would result in the following increase and decrease in the post-retirement medical benefit obligation.

	1% point increase 2016 £m	1% point decrease 2016 £m	1% point increase 2015 £m	1% point decrease 2015 £m
Effect on post-retirement medical benefit obligation	**1.6**	**(1.3)**	1.1	(0.9)
Effect on the aggregate of current service cost and interest cost	**0.1**	**(0.1)**	0.1	(0.1)

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(c) Mortality assumptions

The trustees of The Bupa Pension Scheme have undertaken a scheme specific mortality investigation as part of the 1 July 2014 triennial valuation.

The trustees shared the conclusion drawn from this analysis with the directors, who have adopted assumptions in line with this analysis for the purposes of IAS 19 valuation as at 31 December 2016.

The mortality tables adopted at 31 December 2016 are the S2PA year of birth mortality tables using the CMI projection model, with a long-term rate of improvement of 1.5% pa adjusted by -0.1 years (male non-pensioners); -0.2 years (female non-pensioners); -0.3 years (male pensioners) and -0.5 years (female pensioners). The average life expectancies at age 60 based on these tables for a male currently aged 60 (45) is 28.1 years (29.6 years) and for a female currently aged 60 (45) is 30.2 years (31.8 years).

(d) Assumptions over duration of liabilities

The weighted average duration of the defined benefit obligation is approximately 22 years.

(e) Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivity analysis provided below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and experience variations for some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the Statement of Financial Position. The methods and types of assumption did not change.

Assumption	Change in assumption	Indicative impact on Scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by £90m
Rate of inflation	Increase/decrease by 0.25%	Increase/decrease by £81m
Rate of increase in salaries	Increase/decrease by 0.25%	Increase/decrease by £9m
Rate of mortality	Increase by one year	Increase by £50m

Note

3.7 Deferred taxation assets and liabilities

Deferred taxation assets and liabilities in brief

Deferred tax is an amount which recognises the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes.

An example is the variance between the carrying value of equipment due to depreciation being charged for financial reporting purposes and written down allowances being applied for the relevant tax authorities.

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

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

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group can settle its current taxation assets and liabilities on a net basis.

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Accelerated capital allowances	**–**	–	**(99.6)**	(94.4)	**(99.6)**	(94.4)
Post-employment benefit liability	**–**	–	**(67.1)**	(64.5)	**(67.1)**	(64.5)
Revaluation of properties to fair value	**–**	–	**(39.7)**	(32.7)	**(39.7)**	(32.7)
Employee benefits (other than post-employment)	**30.5**	23.8	**–**	–	**30.5**	23.8
Provisions	**24.4**	23.0	**–**	–	**24.4**	23.0
Taxation value of losses carried forward	**43.2**	38.1	**–**	–	**43.2**	38.1
Goodwill and intangible assets	**–**	–	**(109.2)**	(105.4)	**(109.2)**	(105.4)
Other	**4.2**	1.4	**(9.1)**	(10.9)	**(4.9)**	(9.5)
Deferred taxation assets/(liabilities)	**102.3**	86.3	**(324.7)**	(307.9)	**(222.4)**	(221.6)
Allowable netting of deferred tax assets and liabilities	**(95.2)**	(83.8)	**95.2**	83.8	**–**	–
Net deferred taxation assets/(liabilities)	**7.1**	2.5	**(229.5)**	(224.1)	**(222.4)**	(221.6)

Recognised deferred taxation assets

Deferred taxation assets relating to the carry forward of employee benefits, other provisions, unused taxation losses and other deferred taxation assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation assets can be utilised.

Unrecognised deferred taxation assets

As at 31 December 2016, the Group had deductible temporary differences relating to intangible assets of £7.7m (2015: £6.7m), trading losses of £72.0m (2015: £58.0m) and capital losses of £66.7m (2015: £43.4m) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Recognised in Income Statement £m	Recognised in Other Comprehensive Income £m	Acquisitions through business combinations £m	Disposal of subsidiary undertakings £m	Foreign exchange £m	At end of year £m
2016							
Accelerated capital allowances	(94.4)	13.2	–	(0.1)	(0.6)	(17.7)	(99.6)
Post-employment benefit (liability)/asset	(64.5)	(10.2)	7.7	–	–	(0.1)	(67.1)
Revaluation of properties to fair value	(32.7)	7.7	(10.3)	–	–	(4.4)	(39.7)
Employee benefits (other than post-employment)	23.8	2.9	–	–	(0.3)	4.1	30.5
Provisions	23.0	(0.6)	–	–	–	2.0	24.4
Taxation value of losses carried forward	38.1	1.5	–	–	–	3.6	43.2
Goodwill and intangible assets	(105.4)	12.1	–	–	–	(15.9)	(109.2)
Other	(9.5)	1.6	(0.2)	0.9	0.1	2.2	(4.9)
Total	**(221.6)**	**28.2**	**(2.8)**	**0.8**	**(0.8)**	**(26.2)**	**(222.4)**
2015							
Accelerated capital allowances	(109.0)	8.0	–	(0.8)	–	7.4	(94.4)
Post-employment benefit (liability)/asset	(56.4)	(11.6)	3.4	–	–	0.1	(64.5)
Revaluation of properties to fair value	(58.9)	9.1	16.0	–	–	1.1	(32.7)
Employee benefits (other than post-employment)	25.9	(0.8)	–	–	–	(1.3)	23.8
Provisions	18.0	5.0	–	–	–	–	23.0
Taxation value of losses carried forward	35.8	3.3	–	–	–	(1.0)	38.1
Goodwill and intangible assets	(122.2)	13.1	–	–	–	3.7	(105.4)
Other	15.7	(22.4)	(0.4)	0.1	–	(2.5)	(9.5)
Total	**(251.1)**	**3.7**	**19.0**	**(0.7)**	**–**	**7.5**	**(221.6)**

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Note

4.0 Business combinations and disposals

Business combinations and disposals in brief

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

(a) Acquisitions

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The identification and valuation of intangible assets arising on business combinations is subject to a degree of judgement. We engage independent third parties, including Deloitte, EY and Knight Frank, to assist with the identification and valuation process. This is performed in accordance with the Group's policies.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill. Acquisition accounting must be completed within 12 months of the transaction date.

Costs related to the acquisition are expensed as incurred.

A number of acquisitions were made during the year ended 31 December 2016, the most significant being Care Plus:

	Date of acquisition	Percentage of holdings
Australia and New Zealand		
Dental Centres – various	Various	
UK		
UK Care No.1 Limited[1]	18 February 2016	100.0%
The Links and The Lindsay care homes	5 October 2016	100.0%
Dental Centres - various	Various	
Europe and Latin America		
Bupa Chile[2]	8 January and 26 February 2016	26.3%
Dental Centres – various	Various	
Torrejón[3]	22 April 2016	10.0%
Elegimosalud S.L.	21 December 2016	100.0%
Sport Medica S.A.[4]	29 February 2016	17.6%
Euro Dental	29 February 2016	
International Markets		
Care Plus	22 December 2016	100.0%

1 UK Care No.1 Limited was previously fully consolidated as 100% non-controlling interest

2 Increased shareholding of 73.7% to full ownership in two stages; 26% on 8 January 2016 and the remaining 0.3% on 26 February 2016

3 Increased shareholding from 50% to 60%

4 Increased shareholding of 82% to 99.63%

2016 Business combinations	Care Plus (provisional) Carrying value at acquisition £m	Care Plus (provisional) Fair value adjustments £m	Care Plus (provisional) Fair value £m	Other Carrying value at acquisition £m	Other Fair value adjustments £m	Other Fair value £m
Intangible assets	0.3	–	0.3	0.1	(2.8)	(2.7)
Property, plant and equipment	2.5	–	2.5	23.2	(2.9)	20.3
Inventories	–	–	–	0.1	–	0.1
Financial investments	41.0	–	41.0	–	–	–
Trade and other receivables	3.0	–	3.0	(2.2)	–	(2.2)
Assets arising from insurance business	1.3	(0.8)	0.5	–	–	–
Restricted assets	0.3	–	0.3	–	–	–
Cash and cash equivalents	1.0	–	1.0	1.8	–	1.8
Deferred tax liabilities	–	0.8	0.8	(0.5)	0.5	–
Trade and other payables	(12.3)	(2.6)	(14.9)	(15.2)	2.4	(12.8)
Insurance liabilities	(17.3)	–	(17.3)	–	–	
Provisions for liabilities and charges	(0.6)	–	(0.6)	(0.2)	–	(0.2)
	19.2	**(2.6)**	**16.6**	**7.1**	**(2.8)**	**4.3**
Net assets acquired			16.6			4.3
Goodwill			74.4			44.4
Acquisition of non-controlling interests in subsidiary company			–			2.0
Consideration			**91.0**			**50.7**
Consideration satisfied by:						
Cash			91.0			41.3
Deferred consideration			–			9.4
Total consideration paid			**91.0**			**50.7**
Purchase consideration settled in cash			91.0			41.3
Additional 26.3% acquisition of Bupa Chile			–			93.1
Cash acquired on acquisition			(1.0)			(1.8)
Net cash outflow on acquisition			**90.0**			**132.6**

Note that fair value adjustments relating to current year acquisitions are provisional and will be finalised during 2017.

2016 acquisitions

On 22 December 2016, the Group acquired 100% of Care Plus, a premium health insurer in Brazil, for £91.0m (BRL 431.0m). The business provides dental insurance as well as health insurance and has small occupational health, travel insurance and clinics businesses.

Care Plus serves more than 400 Brazilian companies with around 100,000 members, providing a range of health insurance products. Bupa's international insurance business specialises in products and services for customers looking for international coverage with access to the healthcare they need anytime, anywhere in the world. The acquisition will therefore enable customers in Brazil to access an expanded range of products with access to healthcare professionals and providers in Brazil and around the world. This development sees Bupa extend its operations in Latin America in line with its strategy of selective geographic expansion.

The acquisition balance sheet for Care Plus is provisional, subject to a purchase price allocation exercise, which will be finalised during 2017.

If the transaction had occurred on 1 January 2016, Care Plus would have contributed £149.9m (BRL 709.9m) revenue and £6.8m (BRL 32.2m) profit before taxation for the year ended 31 December 2016.

The Group acquired 100% ownership of Bupa Chile in 2016 for £93.1m (CLP 95.1bn). The transaction occurred in two stages; on 8 January 2016 the Group secured a further 26% interest in Bupa Chile taking its shareholding to 99.7%, with the remaining 0.3% shareholding acquired on 26 February 2016. As a result of the transaction, the Group recognised a decrease in non-controlling interest of £38.6m and an equivalent increase in the income and expenditure reserve.

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There has been continued expansion of the dental business across the Group. In Australia, ten centres have been acquired in 2016 for a total consideration of £12.7m (AU$23.2m) of which £1.6m is deferred, giving rise to £12.2m of goodwill. Additional UK dental centres were acquired in the period, for a total consideration of £19.0m, of which £4.9m is deferred, resulting in goodwill of £16.7m. In Spain, the Group has acquired six further dental centres for a consideration of £5.1m (€6.3m) for which goodwill of £4.4m has been recognised. Finally, in Poland, the Group acquired Euro Dental, a dental centre for a total consideration of £1.2m (PLN 6.3m), for which £1.2m of goodwill has been recognised.

There has also been expansion of our aged care business, including the acquisition of The Links and The Lindsay care homes in the UK for a total consideration of £7.4m, resulting in £3.4m goodwill and the acquisition of La Seu care home in Valencia for a total consideration of £4.4m (€5.4m) for which goodwill of £3.9m has been recognised.

During the year, there have also been several changes in ownership interests. On 18 February 2016, the Group acquired the shareholding of UK Care No.1 Limited for £0.9m, recognising a reduction in non-controlling interest during the year of £13.1m and an equivalent increase in the income and expenditure reserve. On 29 February 2016 the Group also acquired 17.63% interest in Sport Medica for £1.1m (PLN 6.0m), which has been recorded within the income and expenditure reserve, taking our ownership to 99.63% and on 22 April 2016, the Group acquired an additional 10% interest in Torrejón, taking our ownership to 60%.

On 21 December 2016, a web-based start-up company specialising in sports medical services, Healthia.es was acquired in Spain for £0.3m (€0.4m), for which goodwill of £0.4m has been recognised. Acquisition accounting was also completed for the 2015 LUX MED acquisitions, giving rise to an additional £2.2m goodwill.

Acquisition transaction costs expensed in the year ended 31 December 2016, within other operating expenses, total £4.2m (£1.2m Care Plus, £3.0m Other).

2015 acquisitions

	Fair value £m
Purchase consideration settled in cash	97.4
Additional 17.3% acquisition of Bupa Chile	59.2
Cash acquired on acquisition	(0.3)
Net cash outflow on acquisition	**156.3**

On 5 December 2015, the Group exercised its option to acquire an additional 17.3% of the shares of Bupa Chile, for a total consideration of £59.2m (CLP 62.8bn), bringing the total ownership to 73.7% at 31 December 2015.

The exercise of the option triggered a mandatory offer to market for the remaining 26.3% shareholding, as required by local legislation in Chile. As a result, a liability of £91.1m (CLP 95.1bn) was recognised in other payables with the corresponding entry in the income and expenditure reserve recorded at 31 December 2015.

During 2015 the Group continued to expand its dental businesses in Australia, Spain and the UK. In Australia, a total of 18 clinics were acquired in 2015 for a total consideration of £21.9m, of which £4.0m was deferred, giving rise to £21.7m of goodwill. In addition, Bupa acquired five UK dental centres in the year, for a total consideration of £5.3m, net of cash acquired, resulting in goodwill of £6.0m. The goodwill represents the premium paid to acquire established dental practices including the value of dentists (assembled workforce) and other intangibles that do not meet the recognition criteria of IAS 38. In Spain, the Group acquired further dental clinics for a consideration of £1.7m for which goodwill of £1.7m was realised.

Further investment of £37.1m was made in Poland during 2015 with the acquisition of Medicor, a health clinics, diagnostics and pharmacy business; TK Medyk, a diagnostic imaging company; Magodent, an oncology provider and associated properties. In total, goodwill amounting to £21.9m was recognised for these acquisitions. The goodwill recognised primarily represents a premium paid to acquire a leading oncology provider in Poland to enable delivery of coordinated oncology care as well as further expansion of our geographical reach across Poland.

On 2 December 2015, Bupa acquired 100% of Hadrian Healthcare Limited, a care services business comprising five homes and two development sites in the north of England for £34.7m, exclusive of acquisition costs, with net assets (debt free) of £27.5m and resulting in goodwill of £7.2m. The goodwill represents a portfolio premium for acquiring a care home business.

(b) Disposals

At the date when the Group ceases to have control in an entity it results in recognition of a gain or loss on sale of the interest and on the revaluation of any retained non-controlling interest.

Any amounts relating to the entity that have previously been recognised in the Statement of Comprehensive Income are reclassified to the Income Statement. The net gain made on the sale of businesses is included within other income and charges in the Consolidated Income Statement.

2016 Disposals and liquidation

Cash proceeds of £27.7m were received on the sale of Bupa Home Healthcare which completed on 1 July 2016, with a net gain on disposal of £12.3m taking into account £8.8m net assets divested and £6.6m transaction costs.

On 23 March 2016, Bupa Middle East Holdings W.L.L., a holding company in Bahrain which was part of International Markets was liquidated. A net loss of £1.6m was recognised and is included within other income and charges in the Consolidated Income Statement.

2015 Disposals and liquidation

During 2015, £25.5m deferred consideration was received in relation to the disposal of Bupa Ireland Limited in 2007 and is included within other income and charges in the Consolidated Income Statement.

On 8 July 2015, Bupa Health Care Asia Pte Ltd, a holding company in Singapore, which was part of the International Developments Markets Market Unit (now International Markets) was liquidated. A net gain of £0.3m was recognised and is included within other income and charges in the Consolidated Income Statement.

Note

4.1 Assets and liabilities held for sale

Assets and liabilities held for sale in brief

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

Classification as held for sale

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

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

Assets and liabilities classified as held for sale

	2016 £m	2015 £m
Assets held for sale		
Property, plant and equipment	**479.0**	–
Trade and other receivables	**26.3**	
Total assets classified held for sale	**505.3**	–
Liabilities associated with assets held for sale		
Trade and other payables	**(45.5)**	
Total liabilities classified as held for sale	**(45.5)**	–
Net assets classified as held for sale	**459.8**	–

An office building in the UK is presented as held for sale at 31 December 2016 following the decision to sell the property.

As a result of a review of the UK care services business, a number of homes are also held for sale at 31 December 2016, comprising the assets and liabilities of Bupa Care Homes Limited (one of the Group companies in which some UK care homes are held) and certain assets and liabilities of other Group companies.

On classification as held for sale a write down of £11.2m has been recognised in other income and charges in the Income Statement with regards to expected costs to sell.

Note

4.2 Equity accounted investments

Equity accounted investments in brief

Equity accounted investments comprises associated companies and joint ventures.

Associated companies and joint ventures are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs.

Associated companies include those entities in which the Group has significant influence, but no right to direct the activities which determine the variable returns it receives from the entity. Joint ventures include those entities over the activities of which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group also has the rights to the net assets.

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

Associates and joint ventures

During 2016, no capital injections were made in our investment in Bupa Arabia (2015: £3.9m).

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During 2016, capital injections of £23.8m (2015: £2.2m) were made in Max Bupa Health Insurance Company Limited, £21.9m of which was to increase the Group's shareholding from 26% to 49%. This investment has been reclassified from a joint venture to an associate as the Group exercises significant influence. Max Bupa continues to be accounted for using the equity method.

Distributions to shareholders are currently restricted by local regulatory requirements which are re-assessed on a regular basis.

The consolidated financial statements include the Group's share of income and expenses, and Other Comprehensive Income, after adjustments to align the accounting policies with those of the Group where materially different, from the date that significant influence or control commences until the date that significant influence or control ceases.

The carrying amount of equity accounted investments is £302.9m (2015: £238.0m). All equity investments are included on a coterminous basis.

The Group's principal equity accounted investments are:

		Business activity	Share of issued capital	Principally operates in	Country of incorporation
Bupa Arabia for Cooperative Insurance Company	Associate	Insurance	26.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc	Associate	Insurance	49.00%	USA	USA
Max Bupa Health Insurance Company Limited	Associate	Insurance	49.00%	India	India

(i) Summarised financial information for associates and joint ventures

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

	Bupa Arabia		Highway to Health		Max Bupa	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Cash and cash equivalents	**48.8**	144.5	**85.5**	51.2	**3.5**	2.5
Other current assets	**1,038.0**	888.6	**57.2**	47.4	**2.8**	2.9
Current assets	**1,086.8**	1,033.1	**142.7**	98.6	**6.3**	5.4
Non-current assets	**460.3**	79.6	**7.8**	6.1	**75.5**	55.6
Current liabilities	**(1,109.2)**	(783.5)	**(87.6)**	(63.2)	**(21.3)**	(16.3)
Non-current liabilities	**–**	(27.8)	**(0.2)**	(0.2)	**(31.2)**	(23.6)
Net assets	**437.9**	301.4	**62.7**	41.3	**29.3**	21.1
Reconciliation to carrying amounts						
Opening net assets	**301.4**	179.9	**41.3**	31.5	**21.1**	16.8
Profit/(loss) for the period	**124.1**	112.5	**10.1**	5.8	**(4.9)**	(7.3)
Other comprehensive expenses	**(21.1)**	(4.6)	**–**	–	**–**	–
Dividends paid	**(31.5)**	–	**–**	–	**–**	–
Other reserve movements	**65.0**	13.6	**11.3**	4.0	**13.1**	11.6
Closing net assets	**437.9**	301.4	**62.7**	41.3	**29.3**	21.1
% ownership	**26.25%**	26.25%	**49.00%**	49.00%	**49.00%**	26.00%
Reporting entity's share	**114.9**	79.1	**30.7**	20.2	**14.3**	5.5
Fair value and local accounting differences	**(20.2)**	(8.5)	**133.1**	138.4	**18.4**	0.4
Carrying amount	**94.7**	70.6	**163.8**	158.6	**32.7**	5.9
Reporting entity's share of profit/(loss)	**26.3**	23.7	**5.1**	2.6	**(0.1)**	(1.9)

(ii) Individually immaterial associates and joint ventures

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregate carrying amount of these associates is £11.7m (2015: £2.9m). The reporting entity's share of loss recognised during the year for these associates was £1.0m (2015: £2.0m).

Note

5.0 Financial investments

Financial investments in brief

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

All financial investments are initially recognised at fair value, which includes transaction costs for financial investments not classified at fair value through the profit or loss.

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

The Group has classified its financial investments into the following categories: available-for-sale (AFS), at fair value through profit or loss, held to maturity, and loans and receivables. Management determines the classification at initial recognition.

The accounting policy for the impairment of financial investments is detailed in Note 3.0.1.

The analysis of derivatives is disclosed in Note 5.2.

Financial investments

Financial investments are analysed as follows:

	Carrying value 2016 £m	Fair Value 2016 £m	Carrying value 2015 £m	Fair Value 2015 £m
Non-Current				
Available-for-sale				
Corporate debt securities	**192.2**	**192.2**	–	–
Government debt securities	**17.2**	**17.2**	–	–
Designated at fair value through profit or loss				
Government debt securities	**62.6**	**62.6**	49.8	49.8
Corporate debt securities and secured loans	**207.0**	**207.0**	242.2	242.2
Pooled investment funds	**212.9**	**212.9**	110.9	110.9
Deposits with credit institutions	**–**	**–**	0.1	0.1
Held to maturity				
Corporate debt securities and secured loans	**128.9**	**135.7**	98.7	99.2
Government debt securities	**43.4**	**43.8**	0.6	0.6
Loans and receivables				
Deposits with credit institutions	**197.1**	**201.6**	241.0	246.0
Corporate debt securities and secured loans	**–**	**–**	88.2	130.0
Other loans	**0.6**	**0.6**	0.4	0.4
Total non-current financial investments	**1,061.9**	**1,073.6**	831.9	879.2
Current				
Designated at fair value through profit or loss				
Government debt securities	**26.2**	**26.2**	19.3	19.3
Corporate debt securities and secured loans	**10.1**	**10.1**	3.1	3.1
Pooled investment funds	**39.8**	**39.8**	35.0	35.0
Deposits with credit institutions	**4.9**	**4.9**	1.0	1.0
Held to maturity				
Corporate debt securities and secured loans	**158.2**	**158.4**	103.0	103.2
Government debt securities	**0.7**	**0.7**	–	–
Loans and receivables				
Deposits with credit institutions	**870.8**	**872.4**	1,195.0	1,196.0
Total current financial investments	**1,110.7**	**1,112.5**	1,356.4	1,357.6
Total financial investments	**2,172.6**	**2,186.1**	2,188.3	2,236.8

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Classification	Criteria and treatment
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 the Statement of Changes in Equity, except for interest and foreign exchange gains or losses which go through the Income Statement. The cumulative gain or loss that was recognised in equity is recognised in the Income Statement when an available-for-sale financial asset is derecognised.
Fair value through profit or loss	Financial investments designated at fair value through profit or loss consist of investments or instruments where management make 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 Income Statement in the period in which they arise.
Held to maturity	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 Income Statement.
Loans and receivables	Loans and receivables are carried at amortised cost calculated using the effective interest method, less impairment losses.

Fair value of financial investments

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

Fair values disclosed in the table have been calculated as follows:

- debt securities, pooled investment funds, deposits with credit institutions, other loans – quoted price if available or discounted expected future principal and interest cash flows; and
- listed securities – quoted price.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level one 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 of financial investments by valuation method is as follows:

	Non-current			Current		
	Level 1 £m	Level 2 £m	Total Non-current £m	Level 1 £m	Level 2 £m	Total Current £m
2016						
Available-for-sale						
Corporate debt securities	192.2	–	192.2	–	–	–
Government debt securities	17.2	–	17.2	–	–	–
Designated at fair value through profit or loss						
Government debt securities	37.6	25.0	62.6	26.2	–	26.2
Corporate debt securities and secured loans	30.6	176.4	207.0	10.1	–	10.1
Pooled investment funds	124.0	88.9	212.9	39.8	–	39.8
Deposits with credit institutions	–	–	–	4.9	–	4.9
Held to maturity						
Corporate debt securities and secured loans	135.7	–	135.7	158.4	–	158.4
Government debt securities	43.3	0.5	43.8	0.7	–	0.7
Loans and receivables						
Deposits with credit institutions	–	201.6	201.6	–	872.4	872.4
Corporate debt securities and secured loans	–	–	–	–	–	–
Other loans	–	0.6	0.6	–	–	–
Total	**580.6**	**493.0**	**1,073.6**	**240.1**	**872.4**	**1,112.5**
2015						
Designated at fair value through profit or loss						
Government debt securities	22.7	27.1	49.8	19.3	–	19.3
Corporate debt securities and secured loans	42.6	199.6	242.2	3.1	–	3.1
Pooled investment funds	35.2	75.7	110.9	35.0	–	35.0
Deposits with credit institutions	0.1	–	0.1	–	–	–
Other loans	–	–	–	1.0	–	1.0
Held to maturity						
Corporate debt securities and secured loans	68.8	30.4	99.2	94.4	8.8	103.2
Government debt securities	0.5	0.1	0.6	–	–	–
Loans and receivables						
Deposits with credit institutions	–	246.0	246.0	–	1,196.0	1,196.0
Corporate debt securities and secured loans	–	130.0	130.0	–	–	–
Other loans	–	0.4	0.4	–	–	–
Total	**169.9**	**709.3**	**879.2**	**152.8**	**1,204.8**	**1,357.6**

Currently the Group does not hold any level three financial investments.

There have been no significant transfers between the valuation methods.

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

	2016 %	2015 %
Sterling assets and liabilities	**0.6-0.9**	1.1-2.0
Australian dollar assets and liabilities	**1.7-2.8**	2.1-2.0
Euro assets and liabilities	**(0.8)-(0.5)**	(0.4)-(0.2)
US dollar assets and liabilities	**0.9-3.2**	0.6-2.3

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Note

5.1 Borrowings

Borrowings in brief

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

Subordinated liabilities

Subordinated liabilities are stated at amortised cost using the effective interest method. The carrying value is adjusted for the gain or loss on hedged risk; changes in the fair value of derivatives that mitigate interest rate risk resulting from the fixed interest rate of the bonds are recognised in the Income Statement as an effective fair value hedge of this exposure.

The interest expense on the bonds is recognised as a financial expense.

The Group holds callable subordinated perpetual guaranteed bonds with a corresponding fair value hedge. The amortised cost of these borrowings is adjusted for the fair value of the risk being hedged.

Other interest bearing liabilities

Other interest bearing liabilities consist of senior unsecured bonds, secured loans, bank and other loans and finance lease liabilities. These borrowings are recognised initially as proceeds receivable less attributable transaction costs, net of any discount on issue.

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

		2016			2015		
	Note	**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		**50.9**	**–**	**50.9**	51.3	–	51.3
Callable subordinated perpetual guaranteed bonds at fair value	(a)	**380.9**	**5.9**	**386.8**	381.3	5.9	387.2
Other subordinated debt	(b)	**921.1**	**8.8**	**929.9**	528.2	4.0	532.2
Total subordinated liabilities		**1,302.0**	**14.7**	**1,316.7**	909.5	9.9	919.4
Other interest bearing liabilities							
Senior unsecured bonds	(c)	**399.3**	**1.1**	**400.4**	387.1	366.8	753.9
Secured loans	(d)	**–**	**–**	**–**	233.5	4.3	237.8
Bank loans	(e)	**117.1**	**75.6**	**192.7**	97.0	50.2	147.2
Finance lease liabilities	(f)	**6.4**	**5.4**	**11.8**	9.2	6.6	15.8
Total interest bearing liabilities		**522.8**	**82.1**	**604.9**	726.8	427.9	1,154.7
Total borrowings		**1,824.8**	**96.8**	**1,921.6**	1,636.3	437.8	2,074.1

(a) Callable subordinated perpetual guaranteed bonds

In December 2004, Bupa Finance plc issued £330.0m of callable subordinated perpetual guaranteed bonds, which are guaranteed by Bupa Insurance Limited. Interest is payable on the bonds at 6.125% per annum. The bonds have no fixed maturity date but a call option is exercisable by Bupa Finance plc to redeem the bonds on 16 September 2020. In the event of the winding up of Bupa Finance plc or Bupa Insurance Limited the claims of the bondholders are subordinated to the claims of other creditors of these companies.

The total hedged fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, is £386.8m (2015: £387.2m). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

(b) Other subordinated debt

On 25 April 2013, Bupa Finance plc issued £500.0m of unguaranteed subordinated bonds which mature on 25 April 2023. Interest is payable on the bonds at 5.0% per annum. In the event of the winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

On 8 December 2016, Bupa Finance plc issued £400.0m of unguaranteed subordinated bonds which mature on 8 December 2026. Interest is payable on the bonds at 5.0% per annum. In the event of winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

Subordinated debt of £35.5m (€41.6m) issued by Torrejón Salud S.A. matures on 31 December 2022. Interest accrues on the debt at EURIBOR +6%. In the event of a winding up of Torrejón Salud S.A., the claims of the holder of the debt are subordinated to the claims of the senior creditors of that company.

(c) Senior unsecured bonds

On 2 July 2009, Bupa Finance plc issued £350.0m of 7.5% senior unsecured bonds. The bonds were repaid in July 2016.

On 17 June 2014, Bupa Finance plc issued £350.0m of senior unsecured bonds, guaranteed by the Company, which mature on 17 June 2021. Interest payable on the bonds is 3.375% per annum.

On 30 June 2012, Cruz Blanca Salud SA, now Bupa Chile issued UF 1.6m (Unidad de Fomento - an inflation linked currency commonly used in Chile) (£38.0m) of inflation linked senior unsecured bonds which mature on 30 June 2033.

(d) Secured loans

During the year the secured loans were repaid early (2015: £237.8m). The secured loan balance related to secured loan notes issued by UK Care No.1 Limited. These secured loans were redeemed on 1 April 2016. A £175.0m Class A1 note was due to mature in 2029 and a £60.0m Class A2 note was due to mature in 2031. The A1 and A2 loan notes had fixed interests of 6.3% and 7.5% respectively. The loan notes were secured by fixed and floating charges over the assets and undertakings of UK Care No.1 Limited. The security included UK Care No.1 Limited's overriding lease interest, and the rental income receivable thereunder, held in a number of the Group's care homes.

(e) Bank loans and bank overdraft

Bank loans are £192.7m (2015: £147.2m), this includes a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. of £26.8m (2015: £24.8m) and a portfolio of loans held in Bupa Chile totalling £146.8m (2015: £113.0m).

Bupa maintains a £800.0m revolving credit facility which was renegotiated in August 2015 and matures in July 2021 as a result of an optional year extension triggered during 2016. There is a second option to extend by a further one year. The facility was undrawn at 31 December 2016 with the exception of £6.4m of outstanding letters of credit for general business purposes.

Drawings under the £800.0m facility are guaranteed by the Company and other Group subsidiary companies. The overdraft facilities are subject to cross guarantees within the Group. The bank loans and overdrafts bear interest at commercial rates linked to LIBOR, or EURIBOR, or at a commercial fixed rate.

An additional committed bank facility of £250.0m was agreed in June 2016. This facility was cancelled following the issuance of the £400.0m unguaranteed subordinated bond issued on 8 December 2016.

In January 2017, Bupa Finance plc signed a £650.0m committed facility with one of its lending banks to ensure sufficient funding would be made available to complete the acquisition of Oasis Dental Care in 2017.

(f) Obligations under finance leases

Future minimum payments under finance leases are as follows:

	Future minimum lease payments 2016 £m	**Present value of minimum lease payments 2016 £m**	Future minimum lease payments 2015 £m	Present value of minimum lease payments 2015 £m
Payable within one year	**5.9**	**5.4**	7.3	6.6
Payable after one year but within five years	**6.0**	**5.4**	9.2	8.4
Payable after five years	**1.3**	**1.0**	1.2	0.8
Total gross payments	**13.2**		17.7	
Less: finance charges included above	**(1.4)**		(1.9)	
Total payments net of finance charges	**11.8**	**11.8**	15.8	15.8

Fair value of financial liabilities

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

- Subordinated liabilities – quoted price if available or discounted expected future principal and interest cash flows;
- Senior unsecured bonds – quoted price; and
- Secured loans – quoted price.

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

Financial liabilities are categorised into a three level hierarchy, a description of the different levels is detailed in Note 5.0 along with the market interest rates used to discount financial liabilities, where the fair value cannot otherwise be found from quoted market values.

An analysis of borrowings by valuation method is as follows:

	2016			2015		
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Subordinated liabilities	**1,312.9**	**46.1**	**1,359.0**	870.6	32.3	902.9
Senior unsecured bonds	**377.2**	**59.3**	**436.5**	719.4	38.7	758.1
Secured loan	**–**	**–**	**–**	314.8	-	314.8
Bank loans	**–**	**192.7**	**192.7**	–	147.2	147.2
Finance lease liabilities	**–**	**11.8**	**11.8**	–	15.8	15.8
Total	**1,690.1**	**309.9**	**2,000.0**	1,904.8	234.0	2,138.8

Currently the Group does not hold any level three financial liabilities.

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for the year ended 31 December 2016

Note

5.2 Derivatives

Derivatives in brief

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

Derivatives that have been purchased or issued as part of a hedge that subsequently do not qualify for hedge accounting are accounted for at fair value through profit or loss.

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

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

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

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

All derivatives are disclosed as level two in the three level hierarchy.

	2016 £m	2015 £m
Derivative assets		
Non-current*	**50.9**	51.3
Current	**9.4**	6.0
Total derivative assets	**60.3**	57.3
Derivative liabilities		
Non-current	**(10.4)**	(10.3)
Current	**(11.6)**	(22.1)
Total derivative liabilities	**(22.0)**	(32.4)

* See fair value hedges in Note 5.4.2.2.

Note

5.3
Capital management

Capital management in brief

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

There have been no changes to the Group's capital management objectives during the year.

The Group's capital resources are managed in line with the Group Capital Management Policy. All regulated entities within the Group maintain sufficient capital resources to meet any minimum capital requirement required by the local Regulators. In addition the Group and regulated entities maintain a buffer in excess of the regulatory minimum requirements in line with their capital risk appetites. During the year, the Group and its subsidiaries complied with all externally imposed capital requirements to which they were subject.

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

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

The Group's capital comprises equity, exclusive of any non-controlling interests, together with eligible subordinated debt. The Group has £330.0m of callable subordinated perpetual guaranteed bonds, a £500.0m dated hybrid bond which matures on 25 April 2023 and a £400.0m dated hybrid bond which matures 8 December 2026. These bond issues are accounted for as liabilities in the IFRS based financial statements, but are treated as solvency capital for regulatory and management purposes.

Since 1 January 2016, the Group has been subject to the requirements of the Solvency II Directive and must hold sufficient capital 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 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 (PRA) to substitute the insurance premium risk parameter in the Standard Formula with an Undertaking Specific Parameter (USP) which reflects Bupa's own loss experience.

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

The ECA forms part of the Own Risk and Solvency Assessment (ORSA) which comprises all the activities by which the Group establishes the level of capital required to meet its solvency needs over the planning period given the Group'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 PRA annually.

At 31 December 2016, Bupa's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.2bn[1] (2015: £3.1bn), which was in excess of the Group estimated SCR of £2.1bn[1] (2015: £1.8bn). This represented a solvency coverage ratio of 204%[1] (2015: 178%[2]). The Solvency II rules superseded those of the IGD.

1 The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values and unaudited.

2 The Solvency Coverage Ratio was updated to 178% from the 180% estimate disclosed in the 2015 Annual Report and Accounts.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

5.4
Risk management

Risk management in brief

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

Bupa operates a 'Three Lines 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.
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 current principal risks of the Group, its inherent risks and how they are mitigated are described on pages 19-21.

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

The Group 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 Group has managed these risks is described below:

(i) Insurance risk

(ii) Market risk

(iii) Credit risk

(iv) Liquidity risk

Note

5.4.1
Insurance risk

Insurance risk in brief

Insurance risk only affects the general insurance businesses in the Group. It consists of underwriting and pricing risks which relate to inadequate tariffs of insurance products as well as reserving risk which relates to the potential inadequacy of claims provisions.

(i) Underwriting risk

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

(ii) Pricing risk

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

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

The ability to review benefit levels and premium rates is a significant mitigant to pricing risk. The Group underwrites no material general insurance business that commits it to cover risks at premiums fixed beyond a twelve-month period from inception or renewal.

(iii) Claims risk

Claims risk is the risk of failure in managing Bupa's exposure to claims inflation and fluctuations in claims leading to losses. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred, higher than expected future claims on existing policies with past exposures, and external factors such as medical inflation. Claims reserving risk is part of claims risks and it is a risk of mis-estimation of claims reserve.

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

Future adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements. Recent adverse claims experience is reflected in these financial statements in claims paid and in the movement in the claims provisions.

Generally, the Group's health insurance contracts 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 underpinned by prevailing rates of illness. Additionally, claims risk is generally mitigated by insurers running control processes to ensure that both the treatments and the resulting reimbursements are appropriate.

(iv) Reserving risk

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

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

(v) Other risks related to underwriting health insurance business

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

None of the Group's general insurance contracts contain embedded derivatives so the contracts do not give rise to interest rate risk.

The Group is exposed to foreign currency risk through some of the insurance liabilities which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to hedge this exposure.

The majority of the Group's general insurance activities are single line health portfolios. Even though only one line of business is involved, the Group does not have significant concentration of insurance risk for the following reasons:

- broad geographical diversity across several markets – UK, Spain, Australia, Latin America, the Middle East, Hong Kong and Thailand;
- product diversity between domestic 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 Group as a whole, and its principal general insurance entities, are well diversified. Only in selected circumstances does the Group use reinsurance. The reinsurance used does not give rise to a material counterparty default credit risk exposure to the Group.

(vi) 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 Bupa is not liable. Such risks are further reduced by excess of loss cover by Bupa and external providers. Bupa's Centre Risk Function oversee the risk management of this risk exposure, and Bupa's Centre Actuarial Function oversee and implement strategic improvements to ensure overall adequacy of these arrangements.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

5.4.2 Market risk

Market risk in brief

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

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

The Group manages market risk by ensuring that the majority of its cash and investments are held with highly rated credit institutions. Where the Group has moved away from straight money market investments and invested in a limited portfolio of return seeking assets (principally bonds), the Group uses a value at risk analysis (VaR) to quantify risk, taking account of asset volatility and correlation between asset classes. This portfolio is held in the UK and Australian insurance companies and was £390.4m at 31 December 2016 (2015: £342.8m). The one year VaR measured at a 95% confidence level attributable to the portfolio is £31.0m at 31 December 2016 (2015: £20.8m).

5.4.2.1 Foreign exchange risk

The Group is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Group is exposed to both transaction and translation risk. The former is the risk that a company's cash flows and realised profits may be impacted by movements in foreign exchange rates. The latter arises from translating the financial statements of a foreign operation into the Group's presentational currency.

The results and financial position of the Group's foreign entities that do not have a functional currency of sterling are translated into sterling as follows:

- assets and liabilities at the exchange rate at the balance sheet date; and
- income and expenses at average rates for the period.

All foreign exchange differences arising on translation are recognised initially in the Statement of Comprehensive Income, and only in the Income Statement in the period in which the entity is eventually disposed.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2016	2015	**2016**	2015
Australian dollar	**1.8234**	2.0370	**1.7106**	2.0210
Chilean peso	**916.9790**	1,001.2247	**826.5939**	1,044.1436
Danish krone	**9.1092**	10.2797	**8.7032**	10.1194
Euro	**1.2234**	1.3782	**1.1703**	1.3560
Hong Kong dollar	**10.5167**	11.8520	**9.5722**	11.4186
New Zealand dollar	**1.9473**	2.1963	**1.7786**	2.1544
Polish zloty	**5.3394**	5.7671	**5.1584**	5.7834
Thai bhat	**47.8002**	52.3953	**44.2258**	53.0735
US dollar	**1.3547**	1.5288	**1.2345**	1.4734

In the consolidated financial statements, where a loan between Group entities results in an exchange gain or loss, then it is recognised in the Statement of Comprehensive Income to the extent that it relates to the Group's net investment in overseas operations.

Bupa has exposure to foreign exchange risk arising from its overseas operations. Key exposures are to the Australian dollar, euro, Polish zloty, New Zealand dollar, Hong Kong dollar, Chilean peso, US dollar, Brazilian real, Singapore dollar and Thai baht. Currency exposures as at 31 December are as follows:

	Net currency exposure £m	Currency contracts £m	Net currency exposure including hedges £m
2016			
Australian dollar	2,623.2	(248.9)	2,374.3
Euro	771.4	(384.7)	386.7
New Zealand dollar	491.4	–	491.4
Polish zloty	439.8	–	439.8
Chilean peso	366.7	3.6	370.3
Hong Kong dollar	337.8	18.6	356.4
US dollar	248.1	(219.1)	29.0
Brazilian real	37.3	4.8	42.1
Singapore dollar	32.7	21.0	53.7
Thai baht	17.9	–	17.9
Other	19.1	(3.8)	15.3
Total foreign denominated net assets	**5,385.4**	**(808.5)**	**4,576.9**
Percentage of Group net assets	81.9%		69.6%

	Net currency exposure £m	Currency contracts £m	Net currency exposure including hedges £m
2015			
Australian dollar	2,158.1	(79.0)	2,079.1
Euro	681.8	(329.0)	352.8
Polish zloty	391.4	–	391.4
New Zealand dollar	366.8	–	366.8
Hong Kong dollar	284.7	–	284.7
Chilean peso	170.0	–	170.0
US dollar	183.8	(128.5)	55.3
Danish krone	7.0	7.5	14.5
Thai baht	16.0	–	16.0
Other	21.6	–	21.6
Total foreign denominated net assets	**4,281.2**	**(529.0)**	**3,752.2**
Percentage of Group net assets	78.9%		69.2%

Certain forward currency contracts are entered into to hedge net monetary asset exposure and future cash flows of the Group, and do not form part of designated hedging arrangements.

Foreign currency transactions in the Group's subsidiary companies are measured using the functional currency of the subsidiary company, which is based on the primary economic environment in which the subsidiary operates. The transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities, when it is presented in financial income or financial expense as appropriate.

Non-monetary assets and liabilities, denominated in a foreign currency at historical cost (with the exception of deferred acquisition costs and unearned premiums) are translated using the exchange rate at the date of the transaction; therefore no exchange differences arise. Deferred acquisition costs and unearned premiums denominated in foreign currency are translated at the average exchange rate for the period. Foreign exchange differences that arise on retranslation are recognised in operating expenses.

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. Foreign exchange differences that arise on retranslation are recognised in operating expenses.

Transactional exposures arise primarily in the International Markets businesses as a result of differences between the currency of local revenues and costs. A programme is in place to hedge a signficant 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.

The impact of a hypothetical strengthening/weakening of sterling against the currencies below, with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below:

	Strengthening 10%		Weakening 10%	
	(Losses)/gains included in Income Statement £m	Losses included in Equity £m	Gains/(losses) included in Income Statement £m	Gains included in Equity £m
2016				
Australian dollar	(32.5)	(215.8)	39.7	263.8
Euro	(13.2)	(39.8)	16.2	48.6
US dollar	5.2	(7.4)	(6.4)	9.1
New Zealand dollar	(3.7)	(44.7)	4.5	54.6
Chilean peso	(1.2)	(40.0)	1.5	48.9
Polish zloty	1.3	(33.7)	(1.6)	41.1
Hong Kong dollar	(0.7)	(32.4)	0.9	39.6
Singapore dollar	0.1	(4.9)	(0.1)	6.0
Thai baht	–	(3.8)	–	4.7
Brazilian real	0.1	(1.6)	(0.1)	2.0
Other	(4.6)	(1.4)	5.7	1.7
Total sensitivity	**(49.2)**	**(425.5)**	**60.3**	**520.1**
2015				
Australian dollar	(25.2)	(189.0)	30.8	231.0
Euro	(7.1)	(32.1)	8.7	39.2
US dollar	(4.0)	(5.0)	4.9	6.1
New Zealand dollar	(1.5)	(33.3)	1.9	40.8
Polish zloty	(1.1)	(35.6)	1.3	43.5
Chilean peso	1.1	(15.5)	(1.3)	18.9
Hong Kong dollar	(0.5)	(25.9)	0.6	31.6
Danish krone	(0.7)	(1.3)	0.9	1.6
Other	(1.0)	(4.8)	1.2	5.9
Total sensitivity	**(40.0)**	**(342.5)**	**49.0**	**418.6**

Foreign exchange hedging activities

The Group manages its exposure to foreign exchange risk by entering into hedging transactions using derivative financial instruments. The Group applies fair value, cash flow and net investment hedge accounting.

The hedging relationship between a hedging instrument and a hedged item is formally documented. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

(a) Fair value hedges

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on remeasurement of the hedging instrument at fair value is recognised in the Income Statement. The hedged item is fair valued for the hedged risk with any adjustment being recognised in the Income Statement.

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The Group holds foreign currency forward contracts that hedge the Group's currency exposure, which arises from holding US dollar and euro denominated financial investments classed as corporate debt securities and secured loans and government debt securities.

(b) Cash flow hedges
Where a derivative financial instrument hedges the change in cash flows related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction, it is accounted for as a cash flow hedge.

The effectiveness of a cash flow hedge is the degree to which the cash flows attributable to a hedged risk are offset by changes in the cash flows of the hedging instrument. The effective portion of any gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income until the forecast transaction occurs and results in the recognition of a financial asset or liability which impacts the Income Statement. The ineffective portion of the gain or loss is recognised in the Income Statement.

If the hedged cash flow is no longer expected to take place, all deferred gains and losses are released to the Income Statement immediately. If the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in Other Comprehensive Income and is recognised in accordance with the above policy when the transaction occurs.

In 2016, a foreign currency forward contract of BRL 452.0m (£102.8m) was entered into to hedge the cash outflows in relation to the acquisition of Care Plus, acquired in December 2016. The hedge resulted in a net cash flow hedge reserve loss of £8.0m.

In 2015 there were no derivative financial instruments assigned in cash flow hedge relationships to hedge foreign exchange risks.

At 31 December 2016, the cash flow hedge reserve amounts to £14.7m (2015: £20.8m).

(c) Net investment hedging
The Group applies hedge accounting to its foreign currency exposure on a net investment basis. By designating opposing instruments in the same currency, the net exposure to currency fluctuations is reported. The Group uses foreign currency forward contracts, foreign currency zero cost collar options and foreign currency borrowings to hedge its net investment foreign exchange risk.

A collar option is an instrument that combines the purchase of a cap and the sale of a floor to specify a range in which a foreign currency rate will fluctuate. The instrument insulates the buyer against the risk of a significant weakening of a foreign currency rate, but limits the benefit of a strengthening of that foreign currency rate. Collar options are only exercised, at specified intervals, if the benchmark rate is exceeded. Settlement amounts are calculated by reference to the agreed notional amounts.

If an external foreign currency denominated loan is used as a hedge, the portion of the exchange gains or losses arising from the retranslation, that is found to be an effective hedge, is recognised in the Statement of Other Comprehensive Income. The same treatment is applied to both the realised and unrealised exchange gains and losses arising from foreign currency forward contracts and foreign currency collar options.

These hedging relationships are documented and tested as required by IAS 39.

All foreign currency forward contracts and collar options are accounted for on a fair value basis.

Australian dollar translation exposure
The Group's Australian dollar translation exposure of £2,623.2m (AU$4,487.3m) (2015: £2,158.1m (AU$4,361.4m)) arises from the net assets of Australian dollar denominated businesses. At 31 December 2016, the Group held foreign currency forward contracts totalling a notional £206.9m (AU$353.9m) (2015: £45.7m (AU$92.4m)) and collar options totalling £58.5m (AU$100.0m) (2015: £99.9m (AU$200.0m)) to hedge a portion of net assets, which have been designated as hedges under IAS 39. At 31 December 2016, options in the money had a fair value liability of £9.1m (2015: £nil). In 2016, a £13.3m loss (2015: £nil) is reflected in Other Comprehensive Income. Collar options totalling AU$100.0m mature within one year (2015: AU$100.0m) from the balance sheet date. The forward contracts mature within one year from the balance sheet date.

Euro translation exposure
Euro translation exposure of £771.4m (€902.7m) (2015: £681.8m (€924.5m)) arises from the net assets of euro denominated businesses. At 31 December 2016, the Group held euro forward foreign exchange contracts totalling £314.6m (€368.2m) (2015: £231.3m (€313.7m)) to hedge a portion of these net assets, all of which have been designated as hedges under IAS 39. The forward contracts mature within one year from the balance sheet date and are rolled forward on an ongoing basis.

Effect of foreign exchange hedging transactions
The impact of net investment currency hedging activity is set out below. The ineffective portion of all hedges recognised in the Income Statement was £nil (2015: £nil).

(Losses)/gains included in Other Comprehensive Income are:

	Currency contracts	
	2016 £m	2015 £m
Euro	**(47.0)**	12.2
Danish krone	**(27.5)**	(4.5)
Australian dollar	**(12.2)**	0.8
Total	**(86.7)**	8.5

5.4.2.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects 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 Group is exposed as at 31 December 2016 was £1,860.7m (2015: £2,153.8m). The rate at which maturing deposits are reinvested represents a significant potential risk to the Group, in currencies such as sterling and Australian dollar where the Group has a significant net floating cash position.

The Group has also used interest rate swaps to manage interest rate exposure whereby the requirement to settle interest at fixed rates has been swapped for floating rates. This increases the ability to match floating rate assets with floating rate liabilities.

The anticipated repayment profile of interest bearing financial liabilities is as follows:

	Variable £m	Fixed £m	Total £m
2016			
2017	(33.1)	(63.7)	(96.8)
2018	(20.3)	(8.3)	(28.6)
2019	(3.7)	(3.1)	(6.8)
2020	(385.7)	(2.7)	(388.4)
2021	(6.7)	–	(6.7)
2022-2026	(54.3)	(1,271.5)	(1,325.8)
After 2026	(28.9)	(39.6)	(68.5)
Total	**(532.7)**	**(1,388.9)**	**(1,921.6)**
2015			
2016	(27.3)	(410.0)	(437.3)
2017	(16.0)	(8.2)	(24.2)
2018	(15.7)	(7.2)	(22.9)
2019	(2.9)	(2.9)	(5.8)
2020	(385.0)	(3.0)	(388.0)
2021-2025	(17.3)	(867.1)	(884.4)
After 2025	(46.7)	(264.8)	(311.5)
Total	**(510.9)**	**(1,563.2)**	**(2,074.1)**

Variable loans are repriced at intervals of between one and six months. Interest is settled on all loans in line with agreements and is settled at least annually.

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have increased equity and surplus by £2.4m (2015: £8.6m). The impact of a fall of 100 bps in interest rates, on an annualised basis, would have the inverse effect. This calculation is based on the assumption that all other variables, in particular foreign exchange rates, remain constant.

Interest rate hedging activities

The Group applies fair value hedges and cash flow hedges to hedge its exposure to interest rate risk.

(i) Fair value hedges

Interest rate swaps totalling £330.0m have been entered into to swap the fixed rate coupon on the £330.0m callable subordinated perpetual guaranteed bond to a floating rate. The swaps mature in September 2020. These interest rate swaps are designated as fair value hedges of the underlying interest rate risk on the debt. The fixed receipt occurs annually on the payment of the bond coupon in September. The variable payment is settled quarterly and the rate is reset on the floating element at this time. In the year ended 31 December 2016, the fair value movement in the bond attributable to the hedged risk amounted to a £0.4m gain (2015: £10.8m gain). The fair value movement on the interest rate swaps amount to £0.4m loss (2015: £10.8m loss).

(ii) Cash flow hedges

During 2009, interest rate swaps were designated to hedge the variability of cash flows associated with £26.7m (€31.3m) (2015: £29.7m (€40.3m)) of floating rate debt in Especializada Y Primaria L'Horta Manises which matures on 30 December 2018. The swaps currently cover 70.0% of the floating rate loan principal balance outstanding at the balance sheet date. At 31 December 2016, the fair value of the interest rate swap liability was £1.8m (€2.1m) (2015: £2.3m (€3.1m)). During 2016, a gain of £0.5m (€0.8m) (2015: £0.7m (€1.0m)) was recognised through Other Comprehensive Income.

Within the Bupa Chile business, cross currency swaps have been designated to hedge the variability of cash flows associated with £31.8m (CLP 26.3bn) (2015: £37.6m (CLP 39.3bn)) of floating rate debt maturing June 2018. The interest payments have been swapped from floating rate CLP to fixed rate UF (Unidad de Fomento – an inflation linked currency commonly used in Chile). At 31 December 2016, the fair value of the interest rate swap liability was £8.6m (CLP 7.1bn) (2015: £7.6m (CLP7.9bn)). During 2016, a loss of £1.0m (gain of CLP 1.3bn) (2015: gain of £0.4m (CLP 0.4bn)) was recognised through Other Comprehensive Income.

During 2016, interest rate forwards were designated to hedge the variability of cash flows associated with the £400.0m subordinated debt issued in December 2016. The interest rate depended on the UK government bond benchmark rate on debt pricing date plus a fixed credit spread. The interest rate forwards were settled in December 2016 with a gain of £0.4m recognised through Other Comprehensive Income.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

5.4.3
Credit risk

Credit risk in brief

Credit risk is the risk that those that are in debt to the Group default on their obligation. Examples of credit risk would be non-payment of a trade receivable or a corporate bond failing to repay the capital sum and related interest.

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations.

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 Group (unless specifically approved by the Corporate Finance Executive Committee).

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

	2016 £m	2015 £m
Investment grade counterparties	**3,336.9**	3,254.7
Non-investment grade counterparties	**308.4**	183.6
Total	**3,645.3**	3,438.3

Investment grade counterparties include restricted assets of £60.0m (2015: £55.9m). Non-investment grade counterparties are those rated below BBB–/Baa3, and mainly comprise corporate bonds, government bonds and pooled investment funds of £224.3m (2015: £128.9m), cash and cash equivalents of £84.1m (2015: £54.7m) and other loans of £nil (2015: £0.2m).

Information regarding the ageing and impairment of financial and insurance assets is shown below.

	Neither past due or impaired £m	0-3 months £m	3-6 months £m	6 months-1 year £m	Greater than 1 year £m	Impairment £m	Total carrying value in the balance sheet £m
2016							
Debt securities and other loans	847.1	–	–	–	–	–	847.1
Pooled investment funds	252.7	–	–	–	–	–	252.7
Deposits with credit institutions	1,072.8	–	–	–	–	–	1,072.8
Reinsurers' share of insurance provisions	19.3	–	–	–	–	–	19.3
Insurance debtors[1]	870.8	140.0	14.1	34.5	-	(17.5)	1,041.9
Investment receivables and accrued investment incomes	0.3	-	-	-	5.5	–	5.8
Trade and other receivables[2]	279.7	68.1	11.3	63.1	96.4	(20.4)	498.2
Total financial and insurance assets	**3,342.7**	**208.1**	**25.4**	**97.6**	**101.9**	**(37.9)**	**3,737.8**
2015							
Debt securities and other loans	605.3	–	–	–	–	–	605.3
Pooled investment funds	145.9	–	–	–	–	–	145.9
Deposits with credit institutions	1,437.1	–	–	–	–	–	1,437.1
Reinsurers' share of insurance provisions	4.8	–	–	–	–	–	4.8
Insurance debtors[1]	800.3	68.8	6.0	26.4	4.5	(18.2)	887.8
Investment receivables and accrued investment income	2.6	0.1	–	0.1	1.9	–	4.7
Trade and other receivables[2]	281.6	134.0	16.8	21.3	96.0	(15.3)	534.4
Total financial and insurance assets	**3,277.6**	**202.9**	**22.8**	**47.8**	**102.4**	**(33.5)**	**3,620.0**

1 Comprises insurance debtors, Medicare rebate and Risk Equalisation Trust Fund recoveries detailed in Note 3.0.2

2 Comprises trade receivables, other receivables and service concession receivables detailed in Note 3.0.1

The carrying amount of financial and insurance assets of £3,737.8m (2015: £3,620.0m) and cash, cash equivalents and restricted assets of £1,472.7m (2015: £1,250.0m) included on the Group balance sheet represents the maximum credit exposure.

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

	2016 £m	2015 £m
At beginning of year	**33.5**	34.9
Impairment loss recognised	**5.9**	5.0
Additions through business combinations	**1.4**	–
Disposals through business combinations	**(0.9)**	–
Bad debt provision released in year	**(7.5)**	(4.5)
Foreign exchange	**5.5**	(1.9)
At end of year	**37.9**	33.5

The Group believes no impairment allowance is necessary in respect of financial assets not past due date.

The Group considers notified disputes, significant changes in the counterparty's financial position and collection experience in determining which assets should be impaired. The credit quality of receivables is managed at a local business unit level with uncollectable amounts being impaired when necessary.

Assets pledged as security include £60.0m (2015: £55.9m) of cash held in restricted access deposits.

The Group holds notional cash pools with banks under which overdrafts can net with cash balances held by other members of the Group. In these circumstances, where the criteria of IAS 32 are met, cash balances and overdrafts are offset in the statement of financial position. The amounts offset total £169.0m (2015: £207.5m).

The Group enters into derivative transactions under International Swaps and Derivative Association (ISDA) master netting agreements. Under such agreements the amounts owed to each counterparty may be offset as a single amount in certain circumstances. The Group does not offset these balances in the Statement of Financial Position as the right of offset is enforceable only on the occurrence of a future event such as a default.

Note

5.4.4 Liquidity risk

Liquidity in brief

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

The Group's main source of short-term funding is via an £800.0m revolving credit facility which matures in July 2021 and was undrawn at 31 December 2016, with the exception of £6.4m of outstanding letters of credit for general business purposes. An additional committed bank facility of £250.0m was agreed in June 2016 and then cancelled following the issuance of the £400.0m unguaranteed subordinated bond on 8 December 2016.

In January 2017, Bupa Finance plc signed a £650.0m committed facility with one of its lending banks to ensure sufficient funding would be made available to complete the purchase of Oasis Dental Care in 2017. This commitment in addition to further liquidity obtained following the £400.0m bond issue in December, ensure that Bupa will retain good quality liquidity following completion of the acquisition.

The Group monitors funding risk as well as compliance with existing financial covenants within the banking arrangements. There were no concerns regarding bank covenant coverage in 2016 and that position is not expected to change in the foreseeable future.

The Group enjoys a strong liquidity position and adheres to strict liquidity management policies as set by the Risk Committee as well as adhering to certain liquidity parameters, as defined by regulatory authorities for specific regulated entities within the Group.

Liquidity is managed by currency and by considering the segregation of accounts required for regulatory purposes; short-term operational working capital requirements are met by cash-in-hand and committed bank facilities.

Notes to the Financial Statements continued
for the year ended 31 December 2016

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

	Subordinated liabilities £m	Other interest bearing liabilities £m	Provisions under insurance contracts issued £m	Other liabilities under insurance contracts issued £m	Trade and other payables[1] £m	Derivative liabilities £m	Total £m
2016							
2017	(65.2)	(45.2)	(2,594.8)	(143.0)	(1,569.9)	(11.6)	(4,429.7)
2018	(65.2)	(42.4)	(33.9)	–	(7.5)	(10.4)	(159.4)
2019	(65.2)	(20.6)	–	–	(8.6)	–	(94.4)
2020	(391.0)	(21.4)	–	–	(2.5)	–	(414.9)
2021	(45.0)	(364.4)	–	–	(1.1)	–	(410.5)
2022-2026	(1,092.0)	(63.9)	–	–	(3.3)	–	(1,159.2)
After 2026	–	(80.6)	–	–	(0.1)	–	(80.7)
Total	**(1,723.6)**	**(638.5)**	**(2,628.7)**	**(143.0)**	**(1,593.0)**	**(22.0)**	**(6,748.8)**
Carrying value in the Statement of Financial Position	(1,316.7)	(604.9)	(2,628.7)	(143.0)	(1,593.0)	(22.0)	(6,308.3)
2015							
2016	(45.2)	(452.8)	(2,227.3)	(72.1)	(1,401.7)	(22.1)	(4,221.2)
2017	(45.2)	(57.2)	(0.2)	–	(7.3)	(1.5)	(111.4)
2018	(45.2)	(53.9)	(0.2)	–	(4.4)	(8.8)	(112.5)
2019	(45.2)	(36.8)	(0.3)	–	(1.2)	–	(83.5)
2020	(370.2)	(419.2)	(0.4)	–	(1.0)	–	(790.8)
2021-2025	(610.3)	(128.8)	(6.1)	–	(3.9)	–	(749.1)
After 2025	–	(241.2)	(20.4)	–	(0.9)	–	(262.5)
Total	**(1,161.3)**	**(1,389.9)**	**(2,254.9)**	**(72.1)**	**(1,420.4)**	**(32.4)**	**(6,331.0)**
Carrying value in the Statement of Financial Position	(919.4)	(1,154.7)	(2,255.1)	(72.1)	(1,420.5)	(32.4)	(5,854.2)

1 Comprised of trade payables, other payables, accomodation bond liabilities and accruals detailed in Note 3.0.6.

The total liability is split by remaining duration in proportion to the cash flows expected to arise during that period. Interest payments are included in the cash flows for subordinated liabilities and other interest-bearing liabilities.

Maturity profile of financial assets

The maturity profile of financial assets as at 31 December, which are available to fund the repayment of liabilities as they crystallise, is as follows:

	Cash and cash equivalents £m	Deposits with credit institutions £m	Government debt securities £m	Corporate debt securities and other loans £m	Pooled investment funds £m	Total £m
2016						
2017	1,412.7	875.7	26.9	168.3	39.8	2,523.4
2018	–	99.0	8.5	186.4	135.5	429.4
2019	–	65.4	68.7	219.6	7.7	361.4
2020	–	29.3	0.6	32.3	2.0	64.2
2021	–	–	0.9	52.0	5.5	58.4
2022-2026	–	3.4	20.6	38.4	38.8	101.2
After 2026	–	–	23.9	–	23.4	47.3
Total	**1,412.7**	**1,072.8**	**150.1**	**697.0**	**252.7**	**3,585.3**
2015						
2016	1,194.1	1,195.2	24.2	126.0	47.8	2,587.3
2017	–	90.9	2.1	110.4	3.9	207.3
2018	–	88.3	2.0	30.7	2.0	123.0
2019	–	35.1	0.1	24.7	3.6	63.5
2020	–	24.8	14.0	50.9	40.9	130.6
2021-2025	–	2.8	27.2	104.5	35.7	170.2
After 2025	–	–	0.1	88.4	12.0	100.5
Total	**1,194.1**	**1,437.1**	**69.7**	**535.6**	**145.9**	**3,382.4**

Note

6.0
Related party transactions

Related party transactions in brief

These are transactions between the Group and related individuals or entities by nature of influence or control. The Company has such relationships with its subsidiaries, key management personnel, equity accounted investments and associated pension arrangements. The disclosure of transactions with these parties in this section enables readers to form a view about the impact of related party relationships on the Group.

All transactions with related parties are conducted on an arm's-length basis.

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.

There were no material transactions during the year with any related parties, as defined by IAS 24, other than those disclosed in this note.

(i) Transactions with key management personnel

The key management personnel are the Group's Executive and Non-Executive Directors and includes the Chief Executive Officers of the Group's Market Units. No director had any material interest in any contracts with Group companies at 31 December 2016 (2015: £nil) or at any time during the year. The remuneration of the Group's Executive and Non-Executive Directors is disclosed on pages 48-52.

The total remuneration of the Market Unit Chief Executive Officers is as follows:

	2016 £m	2015 £m
Short-term employee benefits	**4.1**	4.6
Long-term incentive plan	**2.0**	0.9
Post-employment benefits	**0.8**	0.6
Total	**6.9**	6.1

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

(ii) Transactions in relation to the non-registered pension arrangements

The Company has made pension commitments to certain current and former Executive Directors and key management personnel through a non-registered pension arrangement which mirrors the terms of The Bupa Pension Scheme (see Note 3.6), maturing after 2022. These unfunded benefits are governed by The Law Debenture Pension Trust Corporation Plc which is the trustee of the non-registered pension arrangement, and is secured by a charge over £55.8m (2015: £45.1m) of cash deposits (see Note 3.0.4). The increase in the charge of £10.7m during 2016 mainly reflects changes in market conditions and market-related changes in the underlying actuarial assumptions.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

6.1
Commitments and contingencies

Commitments and contingencies in brief

A commitment is future expenditure that is committed to as at 31 December 2016. These commitments fall under non-cancellable operating lease payments and contracted capital expenditure. Contingent assets and liabilities are those that are considered possible at year end, whose existence will be determined by a future event.

(i) Operating leases

The total value of future non-cancellable operating lease rentals is payable as follows:

	2016 £m	2015 £m
Less than one year	**142.0**	117.0
Between one and five years	**390.3**	354.2
More than five years	**460.0**	630.6
Total operating leases	**992.3**	1,101.8

The Group leases a number of properties under operating leases. The leases typically run for a period of between 10 and 25 years, with an option to renew the lease after that date. Lease payments are reviewed regularly in accordance with the terms and conditions of the individual lease agreements. None of these leases include contingent rentals.

Some of the leased properties have been sub-let by the Group. Both the leased properties and the sub-leases expire between 2019 and 2024. Sub-lease receipts of £0.7m (2015: £0.8m) are expected to be received during the next financial year. The Group has an unoccupied property provision of £1.8m (2015: £2.9m) in respect of these leases (see Note 3.5). The Group leases out some of its investment properties as a lessor, see Note 3.3 for details.

(ii) Capital commitments

Capital expenditure for the Group contracted at 31 December 2016 but for which no provision has been made in the financial statements, amounted to £128.7m (2015: £141.6m), of which £109.7m (2015: £99.8m) related to property, plant and equipment and £19.0m (2015: £41.8m) related to investment property.

(iii) Contingent assets and contingent liabilities

The Group currently has no contingent assets.

The Group 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.

(iv) Pensions contributions

The Group had an obligation to make a final special contribution to The Bupa Pension Scheme amounting to £40.0m for the year ended 31 December 2016, which was made in December 2016.

Note

7.0
Company Primary Statements and Associated Notes

Company Primary Statements and Associated Notes in brief

This section consists of the Company's primary statements including Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity. Notes 7.1-7.11 form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in Notes 2-6.

Statement of Financial Position

as at 31 December 2016

	Note	2016 £m	2015 £m
Non-current assets			
Intangible assets	7.1	**27.8**	29.8
Property, plant and equipment	7.2	**21.1**	25.1
Investment in subsidiary companies	7.11	**200.1**	200.1
Investment property	7.3	**0.1**	0.2
Other receivables	7.6	**0.3**	0.3
Post-employment benefit assets	7.4	**474.0**	408.4
		723.4	663.9
Current assets			
Trade and other receivables	7.6	**93.2**	58.5
Current taxation asset		**0.2**	0.2
Cash and cash equivalents		**3.7**	8.5
		97.1	67.2
Total assets		**820.5**	731.1
Non-current liabilities			
Post-employment benefit net liabilities	7.4	**(64.6)**	(51.3)
Provisions for liabilities and charges	7.5	**(10.7)**	(5.4)
Deferred taxation liabilities	7.8	**(59.0)**	(56.5)
Other payables	7.6	**(7.8)**	(7.4)
		(142.1)	(120.6)
Current liabilities			
Provisions for liabilities and charges	7.5	**(3.1)**	(5.1)
Trade and other payables	7.6	**(90.6)**	(76.9)
		(93.7)	(82.0)
Total liabilities		**(235.8)**	(202.6)
Net assets		**584.7**	528.5
Equity			
Income and expenditure reserve		**584.3**	528.1
Foreign exchange translation reserve		**0.4**	0.4
Total equity		**584.7**	528.5

Approved by the Board of Directors and signed on its behalf on 1 March 2017 by

Lord Leitch
Chairman

Joy Linton
Chief Financial Officer

Notes 7.1-7.11 form part of these financial statements.

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Notes to the Financial Statements continued
for the year ended 31 December 2016

Income Statement
for the year ended 31 December 2016

The profit for the financial year recorded within the accounts of the Company, The British United Provident Association Limited (Bupa), is £58.1m (2015: £67.3m). In accordance with the exemption granted under Section 408 of the Companies Act 2006, a separate Income Statement and Statement of Comprehensive Income for the Company have not been presented. The average number of full-time equivalent employees, including Executive Directors, employed by the Company during the year was 1,689 (2015: 2,067).

Statement of Cash Flows
for the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Operating activities			
Profit before taxation expense		**40.1**	50.7
Adjustments for:			
Net financial expense		**0.4**	0.2
Depreciation, amortisation and impairment		**16.8**	17.2
Other non-cash items		**1.1**	–
Changes in working capital and provisions:			
Changes in net pension asset/liability	7.4	**(56.0)**	(52.2)
Increase/(decrease) in provisions for liabilities and charges		**1.8**	(4.8)
Decrease in trade and other receivables, and other assets	7.6	**1.9**	74.8
Increase in trade and other payables, and other liabilities		**19.8**	(56.0)
Cash generated from operations		**3.6**	29.9
Net cash generated from operations		**25.9**	29.9
Cash flows from investing activities			
Purchase of intangible assets	7.1	**(21.6)**	(32.3)
Proceeds from sale of intangible assets	7.1	**–**	15.0
Purchase of property, plant and equipment	7.2	**(8.7)**	(4.8)
Interest received		**–**	0.1
Net cash used in investing activities		**(30.3)**	(22.0)
Cash flow from financing activities			
Interest paid		**(0.4)**	(0.4)
Net cash used in financing activities		**(0.4)**	(0.4)
Net (decrease)/increase in cash and cash equivalents		**(4.8)**	7.5
Cash and cash equivalents at beginning of year		**8.5**	1.0
Cash and cash equivalents at end of year		**3.7**	8.5

Notes 7.1-7.11 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2016

	Note	Income and expenditure reserve £m	Foreign exchange translation reserve £m	Total equity £m
2016				
At beginning of year		528.1	0.4	528.5
Profit for the financial year		58.1	–	58.1
Other comprehensive (expense)/income:				
Remeasurement loss on pension scheme	7.4	(3.7)	–	(3.7)
Taxation charge on income and expenses recognised directly in other comprehensive income	7.8	1.8	–	1.8
Other comprehensive income for the year, net of taxation		(1.9)	–	(1.9)
Total comprehensive income for the year		56.2	–	56.2
At end of year		**584.3**	**0.4**	**584.7**
2015				
At beginning of year		449.7	0.4	450.1
Profit for the financial year		67.3	–	67.3
Other comprehensive income:				
Remeasurement gain on pension scheme	7.4	11.0	–	11.0
Taxation charge on income and expenses recognise directly in other comprehensive income	7.8	0.1	–	0.1
Other comprehensive income for the year, net of taxation		11.1	–	11.1
Total comprehensive income for the year		78.4	–	78.4
At end of year		**528.1**	**0.4**	**528.5**

Notes 7.1-7.11 form part of these financial statements.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

7.1
Intangible assets

Intangible assets in brief
Intangible assets are the non-physical assets held by the Company and consists of computer software only.

Intangible assets – Computer software

	2016 £m	2015 £m
Cost		
At beginning of year	**90.0**	74.6
Additions	**21.6**	32.3
Disposals	**(15.1)**	(15.0)
Transfer to property, plant and equipment	**–**	(1.9)
At end of year	**96.5**	90.0
Amortisation and impairment loss		
At beginning of year	**60.2**	50.0
Amortisation for year	**9.2**	10.2
Impairment loss	**1.8**	–
Disposals	**(2.5)**	–
At end of year	**68.7**	60.2
Net book value at end of year	**27.8**	29.8
Net book value at beginning of year	**29.8**	24.6

Note

7.2
Property, plant and equipment

Property, plant and equipment in brief

Property, plant and equipment are the physical assets utilised by the Company to carry out business activities and generate revenues and profits. The majority of the assets held relate to office buildings, IT and other office equipment.

Property, plant and equipment

	2016			2015		
	Leasehold property £m	**Equipment £m**	**Total £m**	Leasehold property £m	Equipment £m	Total £m
Cost or valuation						
At beginning of year	**19.0**	**54.1**	**73.1**	18.8	47.5	66.3
Additions	**–**	**8.7**	**8.7**	0.2	4.6	4.8
Disposals	**–**	**(11.5)**	**(11.5)**	–	1.9	1.9
At the end of the year	**19.0**	**51.3**	**70.3**	19.0	54.0	73.0
Depreciation and impairment loss						
At beginning of year	**12.1**	**35.9**	**48.0**	10.5	30.5	41.0
Depreciation charge for year	**1.3**	**4.5**	**5.8**	1.6	5.4	7.0
Disposals	**–**	**(4.6)**	**(4.6)**	–	–	–
At the end of the year	**13.4**	**35.8**	**49.2**	12.1	35.9	48.0
Net book value at end of year	**5.6**	**15.5**	**21.1**	6.9	18.1	25.0
Net book value at beginning of year	**6.9**	**18.1**	**25.0**	8.3	17.0	25.3

The company had no finance leased properties in the current or prior year.

Note

7.3
Investment properties

Investment properties in brief

Investment properties are physical assets that are not occupied by the Group and are leased to third parties to generate rental income.

There is currently only one office building recognised as an investment property at £0.1m (2015: £0.2m).

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

7.4 Post-employment benefits

Post-employment benefits in brief

The Company operates a defined benefit and a defined contribution pension scheme for the benefit of employees and Directors, in addition to an unfunded and post-retirement medical benefit scheme.

The defined benefit scheme is The Bupa Pension Scheme which has been closed to new entrants since 1 October 2002. The principal defined contribution pension scheme is The Bupa Retirement Savings Plan.

The Company is the sponsoring employer for The Bupa Pension Scheme, the unfunded pension scheme and post-retirement medical benefit scheme described in Note 3.6. The actuarial assumptions underlying the valuation of obligations are detailed in Note 3.6.2.

(i) Assets and liabilities of schemes

The assets and liabilities in respect of the defined benefit funded pension scheme, unfunded pension and post-retirement medical benefit scheme are as follows:

		Pension scheme		**Post-retirement benefit scheme**		**Total**	
	Note	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Present value of funded obligations	(ii)	**(1,662.6)**	(1,262.2)	**–**	–	**(1,662.6)**	(1,262.2)
Fair value of scheme assets	(iii)	**2,136.6**	1,670.6	**–**	–	**2,136.6**	1,670.6
Net assets of funded schemes		**474.0**	408.4	**–**	–	**474.0**	408.4
Present value of unfunded obligations	(ii)	**(54.0)**	(42.8)	**(10.6)**	(8.5)	**(64.6)**	(51.3)
Net recognised assets/(liabilities)		**420.0**	365.6	**(10.6)**	(8.5)	**409.4**	357.1

Represented on the Statement of Financial Position as:		
Net assets	**474.0**	408.4
Net liabilities	**(64.6)**	(51.3)
Net recognised assets	**409.4**	357.1

(ii) Present value of the schemes' obligations

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

	Pension scheme		**Post-retirement medical benefit scheme**		**Total**	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
At beginning of year	**1,305.0**	1,332.2	**8.5**	11.4	**1,313.5**	1,343.6
Current service cost	**7.6**	8.5	**–**	–	**7.6**	8.5
Past service costs	**0.7**	–	**–**	–	**0.7**	–
Interest on obligations	**50.7**	49.3	**0.3**	0.4	**51.0**	49.7
Contributions by employees	**0.1**	0.1	**–**	–	**0.1**	0.1
Losses/(gains) arising from changes to financial assumptions	**418.4**	(41.7)	**1.4**	–	**419.8**	(41.7)
Gains arising from changes to experience assumptions	**(24.4)**	(17.2)	**1.1**	–	**(23.3)**	(17.2)
Losses/(gains) arising from changes to demographic assumptions	**–**	6.2	**–**	(2.8)	**–**	3.4
Benefits paid	**(52.9)**	(32.4)	**(0.7)**	(0.5)	**(53.6)**	(32.9)
Group transfer[1]	**11.4**	–	**–**	–	**11.4**	–
At end of year	**1,716.6**	1,305.0	**10.6**	8.5	**1,727.2**	1,313.5

1 The Clinovia pension scheme was part of the Bupa Home Healthcare business disposed of in 2016. On disposal, the pension scheme was transferred to Bupa Limited from Bupa Finance plc.

(iii) Fair value of funded scheme's assets

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

	2016 £m	2015 £m
At beginning of year	**1,670.6**	1,637.5
Interest income	**65.4**	61.0
Return on assets excluding interest income	**392.8**	(44.5)
Contributions by employer	**48.4**	48.0
Contributions by employees	**0.1**	0.1
Administrative expenses	**(1.7)**	(1.5)
Benefits paid	**(50.3)**	(30.0)
Group Transfer	**11.3**	–
At end of year	**2,136.6**	1,670.6

The market value of the assets of the funded scheme is as follows:	2016 £m	2015 £m
Debt instruments	**494.2**	587.7
Gilts	**801.6**	522.5
Corporate bonds	**753.7**	450.1
Cash/other assets	**53.5**	–
Diversified growth funds	**8.8**	67.9
Equities	**24.8**	42.4
Total market value of the assets of the funded scheme	**2,136.6**	1,670.6

All assets have a quoted market price.

(iv) Amounts recognised in the Income Statement

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

	2016 £m	2015 £m
Current service cost	**7.6**	8.5
Past service cost	**0.7**	–
Net interest on defined benefit liability/asset	**(14.4)**	(11.3)
Administrative expenses	**1.6**	1.5
Total amount charged to Income Statement	**(4.5)**	(1.3)

(v) Amounts recognised directly in Other Comprehensive Income

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

	2016 £m	2015 £m
Actual return less return on assets included within profit and loss	**(392.8)**	44.5
Loss arising from changes to financial assumptions	**419.8**	(41.7)
Gain arising from changes to experience assumptions	**(23.3)**	(17.2)
Gain arising from changes to demographic assumptions	**–**	3.4
Total remeasurement losses/(gains) charged/(credited) directly to Equity	**3.7**	(11.0)

The cumulative amount of actuarial losses recognised directly in equity is £0.6m as at 31 December 2016 (2015: £0.2m).

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

7.5
Provisions for liabilities and charges

Provisions for liabilities and charges in brief
Provisions for liabilities and charges are those not related to insurance contracts issued that require settlement in the future as a result of a past event.

Provisions for liabilities and charges

	Insurance £m	Unoccupied property £m	Other £m	Total £m
At beginning of year	9.7	0.8	–	10.5
Charge for year	7.5	–	2.7	10.2
Released in year	–	–	–	–
Utilised in year – cash	(6.9)	–	–	(6.9)
At end of year	**10.3**	**0.8**	**2.7**	**13.8**
Non-current	7.6	0.7	2.4	10.7
Current	2.7	0.1	0.3	3.1
Total provisions for liabilities and charges	**10.3**	**0.8**	**2.7**	**13.8**

Note

7.6
Working capital

Working capital in brief
Working capital represents the assets and liabilities the Company generates through its trading activities. The Company therefore defines working capital as trade and other receivables, and trade and other payables.

7.6.1 Trade and other receivables

	2016 £m	2015 £m
Non-current		
Prepayments	**0.3**	0.3
Total non-current other receivables	**0.3**	0.3
Current		
Amounts owed by subsidiary companies	**78.1**	41.5
Other receivables	**2.9**	0.7
Prepayments	**12.2**	16.3
Total current trade and other receivables	**93.2**	58.5
Total trade and other receivables	**93.5**	58.8

7.6.2 Trade and other payables

	2016 £m	2015 £m
Non-current		
Amounts owed to subsidiary companies	**0.3**	0.3
Accruals	**7.5**	7.1
Total non-current trade and other payables	**7.8**	7.4
Current		
Amounts owed to subsidiary companies	**22.9**	19.8
Other payables	**6.3**	6.5
Accruals	**61.4**	50.6
Total current trade and other payables	**90.6**	76.9
Total trade and other payables	**98.4**	84.3

Note

7.7 Risk management

Risk management in brief

The Board is responsible for identifying, evaluating and managing risks faced by the Company and considers 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 of managing the related risks.

The Group's risk management strategy is outlined in detail within Note 5.4.

The risks faced by the Company have been assessed as part of the Group's ongoing risk management processes, a summary of these risks are outlined below:

Risk type	Summary of risk assessment
Insurance risk	The Company is not exposed to insurance risk.
Market risk	The Company is not materially exposed to foreign exchange or interest rate risk.
Credit risk	The maximum credit risk exposure of the Company is £6.7m (2015: £9.2m). The Company believes amounts owed to it by subsidiary companies carry no credit risk.
Liquidity risk	The contractual maturity of financial liabilities, held by the Company, fall due within one year.

Note

7.8 Deferred taxation assets and liabilities

Deferred taxation assets and liabilities in brief

Deferred tax is an adjustment to recognise the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes.

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Accelerated capital allowances	**5.5**	2.5	**–**	–	**5.5**	2.5
Post-employment benefit liability	**–**	–	**(69.6)**	(64.5)	**(69.6)**	(64.5)
Revaluation of properties to fair value	**0.1**	0.2	**–**	–	**0.1**	0.2
Employee benefits (other than post-employment)	**4.0**	2.8	**–**	–	**4.0**	2.8
Provisions	**0.7**	2.1	**–**	–	**0.7**	2.1
Other	**0.3**	0.4	**–**	–	**0.3**	0.4
Net deferred taxation asset/(liability)	**10.6**	8.0	**(69.6)**	(64.5)	**(59.0)**	(56.5)

Recognised deferred taxation assets

Deferred taxation assets relating to the carry forward of employee benefits, other provisions, unused taxation losses and other deferred taxation assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation assets can be utilised.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Recognised in Income Statement £m	Recognised in Other Comprehensive Income £m	At end of year £m
2016				
Accelerated capital allowances	2.5	3.0	–	5.5
Post-employment benefit (asset)/liability	(64.5)	(6.9)	1.8	(69.6)
Revaluation of properties to fair value	0.2	(0.1)	–	0.1
Employee benefits (other than post-employment)	2.8	1.2	–	4.0
Provisions	2.1	(1.4)	–	0.7
Other	0.4	(0.1)	–	0.3
Total	**(56.5)**	**(4.3)**	**1.8**	**(59.0)**
2015				
Accelerated capital allowances	2.5	–	–	2.5
Post-employment benefit liability	(58.6)	(5.9)	–	(64.5)
Revaluation of properties to fair value	0.1	–	0.1	0.2
Employee benefits (other than post-employment)	2.9	(0.1)	–	2.8
Provisions	4.1	(2.0)	–	2.1
Other	0.1	0.3	–	0.4
Total	**(48.9)**	**(7.7)**	**0.1**	**(56.5)**

Note

7.9
Related party transactions

Related party transactions in brief

These are transactions between the Company and related individuals or entities by nature of influence or control. The Company has such relationships with its subsidiaries, key management personnel and associated pension arrangements. The disclosure of transactions with these parties enables readers to form a view about the impact of related party relationships on the Company.

The Company has a related party relationship with its key management personnel and with its subsidiary companies (see Note 7.11).

(i) Transactions with key management personnel

The key management personnel for the Company are the same as for the Group. These transactions are disclosed in Note 6.0.

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

(ii) Transactions in relation to the non-registered pension arrangements

These transactions are disclosed in Note 6.0.

(iii) Transactions and balances with subsidiary companies

	Transactions during the year		Balance at 31 December	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Income Statement				
Management charges received	**228.1**	229.8		
Interest income	**–**	0.1		
Interest expense	**(0.1)**	(0.1)		
Income received	**2.4**	2.5		
Expenses paid (including rental expense £6.0m (2015: £5.6m))	**(7.7)**	(7.6)		
Dividends received	**147.6**	138.3		
Statement of Financial Position				
Amounts owed by subsidiary companies	**36.6**	(75.4)	**78.1**	41.5
Amounts owed to subsidiary companies	**(3.1)**	66.4	**(22.9)**	(19.8)
Loans from subsidiary companies	**–**	0.2	**(0.3)**	(0.3)

The above outstanding balances arose during the ordinary course of business and are on substantially the same terms, including interest rates, as for comparable transactions with third parties.

Note

7.10 Commitments and contingencies

Commitments and contingencies in brief

A commitment is future expenditure that is committed to as at 31 December 2016. These commitments primarily consist of contracted capital expenditure.

Contingent liabilities include bank loan and bond issue guarantees.

(i) Commitments

Capital expenditure for the Company contracted as at 31 December 2016 but for which no provision has been made in the financial statements amounted to £38.0m (2015: £0.2m).

(ii) Operating leases

The Company has £51.9m of operating lease obligations (2015: £51.6m).

(iii) Pensions contributions

The Group has no obligation to make a special contribution to The Bupa Pension Scheme for the year ending 31 December 2017.

In addition, Bupa Finance plc has entered into a legally binding and irrevocable guarantee for the benefit of the trustees of The Bupa Pension Scheme in respect of these payments.

(iv) Contingent assets and liabilities

The Company has given guarantees in respect of the £350.0m bond issued in 2014 by Bupa Finance plc.

The Company is party to an £800.0m revolving credit facility, together with various other companies within the Group. The revolving credit facility was undrawn at 31 December 2016 (2015: £nil). There are £6.4m of outstanding letters of credit required for general business purposes. The Company has joint and several liability for all obligations under the agreement.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Note

7.11
Investments in subsidiaries

Investments in subsidiaries in brief

Below is a summary of all investments in subsidiaries held by the Company.

Carrying value of investment in subsidiaries

Investments in subsidiary companies are carried at cost less impairment in the Company's accounts. Dividends received from subsidiaries are recognised in the Income Statement when the right to receive the dividend is established.

As at 31 December 2016, the Company held investments in subsidiaries of £200.1m (2015: £200.1m).

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associated undertakings and significant holdings in undertakings other than subsidiary undertakings, the registered addresses and the effective percentage of equity owned, as at 31 December 2016 are disclosed below.

Fully owned subsidiaries registered at Bridge House, Outwood Lane, Horsforth, Leeds, LS18 4UP, England

Unless stated otherwise, the subsidiaries below are 100% held by Group companies.

Name	Share class
ANS 2003 Limited	£0.01 Ordinary
ANS Limited	£0.10 Ordinary
Bede Village Management Limited	£1.00 Ordinary
Belmont Care Limited[1]	£0.50 Ordinary
Bridge Health Investments Limited	£1.00 Ordinary
Bupa Care Homes (AKW) Limited	£1.00 Ordinary
Bupa Care Homes (ANS) Limited	£1.00 Ordinary £1.00 Special share
Bupa Care Homes (Bedfordshire) Limited	£1.00 Ordinary
Bupa Care Homes (BNH) Limited	£1.00 Ordinary
Bupa Care Homes (BNHP) Limited[1]	£1.00 Ordinary
Bupa Care Homes (CFCHomes) Limited	£1.00 Ordinary
Bupa Care Homes (CFG) plc	£0.25 Ordinary
Bupa Care Homes (CFHCare) Limited	£1.00 Ordinary €0.000001 redeemable preference
Bupa Care Homes (Developments) Limited	£1.00 Ordinary
Bupa Care Homes (GL) Limited	£1.00 Ordinary
Bupa Care Homes (HH Bradford) Limited	£1.00 Ordinary
Bupa Care Homes (HH Hull) Limited	£1.00 Ordinary
Bupa Care Homes (HH Leeds) Limited	£1.00 Ordinary
Bupa Care Homes (HH Northumberland) Limited	£1.00 Ordinary
Bupa Care Homes (HH Scunthorpe) Limited	£1.00 Ordinary
Bupa Care Homes (HH) Limited	£1.00 Ordinary
Bupa Care Homes (Partnerships) Limited	£1.00 Ordinary
Bupa Care Homes Group Limited	£1.00 Ordinary
Bupa Care Homes Limited	£1.00 Ordinary
Bupa Care Services Limited	£0.20 Ordinary
Calverguild Limited	£1.00 Ordinary

Name	Share class
Ebbgate Nursing Homes Limited	£1.00 Ordinary
Ebbgate Nursing Homes (London) Limited	£1.00 Ordinary
Goldsborough Estates Limited	£1.00 Ordinary
Richmond Care Villages Holdings Limited	£1.00 Ordinary
Richmond Care Villages (Property) Limited	£1.00 Ordinary
Richmond Coventry Limited	£1.00 Ordinary
Richmond Letcombe Limited	£1.00 Ordinary
Richmond Nantwich Developments Limited	£1.00 Ordinary
Richmond Nantwich Limited	£1.00 Ordinary
Richmond Nantwich Properties Limited	£1.00 Ordinary
Richmond Northampton Limited[1]	£1.00 Ordinary
Richmond Northampton Management Limited[1]	£1.00 Ordinary
Richmond Painswick Management Company Limited[1]	£1.00 Ordinary
Richmond Villages Operations Limited	£1.00 Ordinary
Watertight Investments Limited	£1.00 Ordinary

Fully owned subsidiaries registered at Bupa House, 15-19 Bloomsbury Way, London, WC1A 2BA, England

Unless stated otherwise, the subsidiaries below are 100% held by Group companies.

Name	Share class
Andrew Greenwood Ltd	£1.00 Ordinary
Aqua Dental Spa Limited	£1.00 Ordinary
BHS (Holdings) 2006 Limited	£1.00 Ordinary
Bupa Care Homes (Holdings) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links) Limited	£1.00 Ordinary
Bupa Care Homes (PT) Limited	£1.00 Ordinary
Bupa Dental Services Limited	£1.00 Ordinary
Bupa Europe Investments Limited[1]	£1.00 Ordinary
Bupa Europe Limited	£1.00 Ordinary
Bupa Finance plc[2]	£1.00 Ordinary
Bupa Financial Investments Limited[1]	£1.00 Ordinary
Bupa Global Holdings Limited	€1.00 Ordinary €0.01 Ordinary
	£1.00 Ordinary
Bupa Health at Work Limited[1]	£1.00 Ordinary
Bupa Healthcare Services Limited	£1.00 Ordinary
Bupa Insurance Limited	£1.00 Ordinary
Bupa Insurance Services Limited	£1.00 Ordinary
Bupa Investments Limited	£1.00 Ordinary

Name	Share class
Bupa Investments Overseas Limited	AUD 1.00 Redeemable preference CLP 1.00 Redeemable preference €1.00 Redeemable preference PLN 1.00 Redeemable preference US$1.00 Redeemable preference £1.00 Ordinary
Bupa Limited[1]	£1.00 Ordinary
Bupa Occupational Health Limited	£1.00 Ordinary
Bupa Pension Scheme Trustees Limited[1]	£1.00 Ordinary
Bupa Secretaries Limited	£1 .00 Ordinary
Bupa Treasury Limited	£1.00 Ordinary
Bupa Trustees Limited	£1.00 Ordinary
Bupa Wellness Group Limited[1]	£0.01 Ordinary
Cranbrook Dental Practice Limited	£1.00 Ordinary
David Row Limited	£1 .00 Ordinary
Health Dialog UK Limited[1]	£1.00 Ordinary
In Store Dental Limited	£1.00 Ordinary
K R Postlethwaite Ltd	£1.00 Ordinary
Lab 53 Limited	£1.00 Ordinary
Occupational Health Care Limited	£1.00 Ordinary £1.00 Redeemable preference
Paul Coulthard Ltd	£1.00 Ordinary
Perlan Limited	£1.00 Ordinary
Personal Effectiveness Centre Limited	£1.00 Ordinary
Plainprime Limited[1]	£1.00 Ordinary
Stephen E B Jones Ltd	£1.00 Ordinary
Store Dental Care Limited	£1.00 Ordinary
The Smile Centres Limited	£1 .00 Ordinary
Ultimate Smile Spa Ltd	£1.00 Ordinary

Fully owned subsidiaries registered at Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia

Unless stated otherwise, the subsidiaries below are 100% held by Group companies.

Name	Share class
Australia Fair Dental Care Pty Ltd	AUD Ordinary
Bupa Aged Care Australasia Pty Limited	AUD Ordinary AUD Preference
Bupa Aged Care Australia Holdings Pty Ltd	AUD Ordinary
Bupa Aged Care Australia Pty Ltd	AUD Ordinary
Bupa Aged Care Holdings Pty Ltd	AUD Ordinary
Bupa ANZ Finance Pty Ltd	AUD 1.00 Ordinary
Bupa ANZ Group Pty Ltd	AUD Ordinary
Bupa ANZ Healthcare Holdings Pty Ltd	AUD Ordinary
Bupa ANZ Insurance Pty Ltd	AUD Ordinary AUD Preference
Bupa ANZ Property 1 and 2 Limited	AUD Ordinary
Bupa ANZ Property 3 and 3A Pty Ltd	AUD Ordinary
Bupa Dental Corporation Limited	AUD Ordinary
Bupa Disability Services Pty Ltd	AUD 1.00 Ordinary

Name	Share class
Bupa Health Services Pty Ltd	AUD Ordinary
Bupa HI Holdings Pty Ltd	AUD Ordinary
Bupa HI Pty Ltd	AUD Ordinary
Bupa Innovations (ANZ) Pty Ltd	AUD Ordinary
Bupa Medical (GP) Pty Ltd	AUD Ordinary
Bupa Medical Services Pty Limited	AUD Ordinary
Bupa Optical Pty Ltd	AUD Ordinary
Bupa Telehealth Pty Ltd	AUD Ordinary
Bupa Wellness Pty Limited	AUD Ordinary
DC Holdings WA Pty Ltd	AUD Ordinary
Dental Care Network Pty Ltd	AUD Ordinary
Dental Corporation Australia Fair Pty Ltd	AUD Ordinary
Dental Corporation Cox Pty Ltd	AUD Ordinary
Dental Corporation Gerber Pty Ltd	AUD Ordinary
Dental Corporation Holdings Limited	AUD Ordinary
Dental Corporation Levas Pty Ltd	AUD Ordinary
Dental Corporation Petrie Pty Ltd	AUD Ordinary
Dental Corporation Pty Ltd	AUD Ordinary
Dr Chris Hardwicke Pty Ltd	AUD Ordinary
Gerber Dental Group Pty Ltd	AUD Ordinary
Larry Benge Pty Limited	AUD Ordinary
Scott Petrie (Dental) Pty Ltd	AUD Class E AUD Class F AUD Ordinary

Fully owned subsidiaries registered at 3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong

Unless stated otherwise, the subsidiaries below are 100% held by Group companies.

Name	Share class
Allied Medical Practices Guild Limited	HKD 1.00 Ordinary
Case Specialist Limited	HKD 1.00 Ordinary
DB Health Services Limited	HKD 1.00 Ordinary
Great Option Limited	HKD 1.00 Ordinary
Jadeast Limited	HKD 1.00 Ordinary
Jadefairs International Limited	HKD 1.00 Ordinary
Jadison Investment Limited	HKD 1.00 Ordinary
Jadway International Limited	HKD 1.00 Ordinary
Marvellous Way Limited	HKD 1.00 Ordinary
Megafaith International Limited	HKD 1.00 Ordinary
Quality HealthCare Dental Services Limited	HKD 1.00 Ordinary
Quality HealthCare Medical Centre Limited	HKD 100.00 Ordinary
Quality HealthCare Medical Services Limited	HKD 1.00 Ordinary
Quality HealthCare Nursing Agency Limited	HKD 1.00 Ordinary
Quality HealthCare Physiotherapy Services Limited	HKD 1.00 Ordinary
Quality HealthCare Professional Services Limited	HKD 1.00 Ordinary
Quality HealthCare Psychological Services Limited	HKD 1.00 Ordinary
Quality Healthcare TPA Services Limited	HKD 1.00 Ordinary

Notes to the Financial Statements continued
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Fully owned subsidiaries registered elsewhere

Unless stated otherwise, the subsidiaries below are 100% held by Group companies.

Name		Country	Share class
Bupa Aged Care Property No.2 Trust	Level 19, 201 Kent Street, Sydney 2000, Australia	Australia	AUD 1 .00Unit
Bupa Aged Care Property No.3 Trust	Level 14, 255 George Street, Sydney, NSW 2000, Australia	Australia	AUD 1.00 Unit
Bupa Aged Care Property No.3A Trust	Level 14, 255 George Street, Sydney, NSW 2000, Australia	Australia	AUD 1.00 Unit
Bupa Aged Care Property Trust	Level 19, 201 Kent Street, Sydney 2000, Australia	Australia	AUD 1.040422 Units AUD 1.00 Unit AUD 1.178896 Units
Amedex Insurance Company (Bermuda) Limited	Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton, HM11, Bermuda	Bermuda	BMD 1.00 Ordinary
Bupa Insurance (Bolivia) S.A	Santa Cruz – AV. San Martin No 1800, Equipetrol, Bolivia	Bolivia	BOB 100.00 Ordinary
Bupa Do Brasil Saúde Ltda	Rua James Watt, 84, 10th floor, CEP 04576-050, São Paulo, Brazil	Brazil	BRL 1.00 Quota
Care Plus Medicina Assistencial Ltda	City of Barueri, State of São Paulo, at Avenida Sagitário, No. 138, office 1905 and 1906, Zip Code 06473-073	Brazil	R$ 1.00 Quota
Care Plus Negócios Em Saúde Ltda	City of Barueri, State of São Paulo, at Avenida Sagitário, No. 138, office 2113, Zip Code 06473-073	Brazil	R$ 1.00 Quota
Personal System Serviços Médicos e Odontológicos Ltda	Av. das Nações Unidas, no. 12,901, unit 901, Torre Oeste, Bloco C, Centro Empresarial Nações Unidas, Brooklin Paulista, Zip Code-04578-000	Brazil	R$1.00 Quota
Service Care Participações e Negócios S.A.	Av. Sagitário, no. 138, 19th floor – conjunto 1915, Condomínio Alpha Square Torre 2, City of Barueri, State of São Paulo	Brazil	R$ Common shares R$ Preferred shares
Bupa Guernsey No 2 Limited	1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, GY1 1EW, Guernsey	Channel Islands	£1.00 Ordinary
Bupa Holdings (Guernsey) Limited	PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU, Channel Islands	Channel Islands	£1.00 Ordinary
Bupa Holdings (Jersey) Limited[1]	13 Castle Street, St Helier, JE4 5UT, Jersey	Channel Islands	NZD 1.00 Ordinary
Bupa LeaseCo Holdings Limited	PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU, Channel Islands	Channel Islands	£1 .00Ordinary
Bupa LeaseCo. (Guernsey) Limited	PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU, Channel Islands	Channel Islands	£1.00 Ordinary
UK Care No. 1 Limited	PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU, Channel Islands	Channel Islands	£1 .00 Ordinary
Virgo Limited[1]	PO Box 34, St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU, Channel Islands	Channel Islands	£1.00 Ordinary
Bupa Chile S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Bupa Chile Servicios Corporativos SpA	Cerro Colorado 5240, Piso 7, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Bupa Inversiones Latam S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Cruz Blanca Compania De Seguros De Vida S.A.	Cerro El Plomo 6.000, piso 2, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Grupo Bupa Sanitas Chile Uno, SpA	Avenida El Golf 40, piso 20, Las Condes, Santiago, Chile	Chile	CLP 1,000.00 Ordinary
Inmobiliaria Y Constructora CBS S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Inversiones Clinicas CBS S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Proisa Aseosorias SpA	Cerro Colorado 5240, Piso 7, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Servicios Clinicos Domiciliarios S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Servicios De Personal Clinico CBS Dos S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary
Bupa Consulting (Beijing) Co. Ltd.	Room 07-08, 3rd floor, Building 1, 21st Century Plaza, 40A Liangmaqiao Road, Chaoyang District, Beijing, 100125, China	China	HKD 1.00 Ordinary
Guangzhou Bupa First Outpatient Facility Company Limited	Unit 305A -305, 3/F, GT Land Autumn Plaza, No.11, 13 ZhuJiang East Road, ZhuJiang New Town, Tianhe District, Guangdong Province, China	China	CNY 1.00 Ordinary
Guangzhou Bupa Hospital Management Company Limited	Unit 03, 13/F, No.604 RenMin North Road, Yuexiu District, Guangzhou, China	China	CNY 1.00 Ordinary
Quality EAP (Macau) Limited	Rua De Xangai No. 175 Edif., Associacao Comercial De Macau, 11 Andar, K, Macau	China	MOP 1.00 Ordinary
Quality Healthcare Medical Services (Macau) Limited	Rua De Xangai No. 175 Edif., Associacao Comercial De Macau, 11 Andar, K, Macau	China	MOP 1.00 Ordinary
Bupa Denmark Services A/S	Palaegade 8, 1261 Copenhagen K, Denmark	Denmark	DKK 100.00 Ordinary
Amedex Medical Group, S.R.L.	Av. Gustavo Melia Ricart, No. 81, Terre Profesional Biltmore II, Suite 1007, Piantini, Santo Domingo, Dominican Republic	Dominican Republic	DOP 1,000.00 Quota
Bupa Dominicana, S.A.	Av. Winston Churchill, corner with Rafael Augusto Sanchez, Plaza Acropolis, Apt. P2-D, Santo Domingo, Dominican Republic	Dominican Republic	DOP 1,000.00 Ordinary
Bupa Egypt Insurance Bupa Global S.A.E.	Building 55, Street 18, Maadi, Cairo, Egypt	Egypt	EGP 10.00.Ordinary

Name		Country	Share class
Bupa Egypt Services LLC	Building 55, Street 18, Maadi, Cairo, Egypt	Egypt	EGP 100.00 Ordinary
Bupa Malta Investments No. 1 Limited[1]	9/3a International Commercial Centre, Casemates Square, Gibraltar	Gibraltar	£1.00 Ordinary
Bupa Malta Investments No. 2 Limited[1]	10/8 International Commercial Centre, Casemates Square, Gibraltar	Gibraltar	£1.00 Ordinary
Bupa Guatemala, Compania de Seguros, S.A.	Quinta avenida número cinco guión cincuenta y cinco, Zona catorce de esta ciudad, Edificio Europlaza World Business Center, Torre III, undécimo nivel, área corporativa número un mil, Guatemala	Guatemala	GTQ 1.00 Ordinary
Bupa (Asia) Limited	18/F Berkshire House, 25 Westlands Road, Quarry Bay, Hong Kong	Hong Kong	HKD 10.00 Ordinary
Bupa International Limited	18/F Berkshire House, 25 Westlands Road, Quarry Bay, Hong Kong	Hong Kong	HKD 1.00 Ordinary
Bupa Limited	18/F Berkshire House, 25 Westlands Road, Quarry Bay, Hong Kong	Hong Kong	HKD 1.00 Ordinary
Bupa Mexico, Compania de Seguros, S.A. de C.V.	Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	Mexico	MXN 1,000.00 Capital Stock Series E (fixed) MXN 1,000 Capital Stock Services M (variable)
Bupa Servicios Administrativos de Salud, S. de R.L. de C.V.[1]	Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	Mexico	US$1.00 Ordinary
Bupa Servicios de Evaluacion Medica, S. de R.L. de C.V.	Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	Mexico	US$1.00 Ordinary
Bupa Servicios Ejecutivos de Salud, S. de R.L. de C.V.[1]	Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	Mexico	US$1.00 Ordinary
BI Healthcare Holdings BV	B-tower, sixth floor, Schiphol Boulevard 409, 1118 BK Amsterdam, Netherlands	Netherlands	€1.00 Ordinary
Bupa Holdings Overseas Cooperatief B.A.	B-tower, sixth floor, Schiphol Boulevard 409, 1118 BK Amsterdam, Netherlands	Netherlands	€ Membership capital
Bupa Care Services NZ Limited	Level 5, 5-7 Kingdon Street, Newmarket, Auckland, New Zealand	New Zealand	NZD Ordinary
Bupa Retirement Villages Limited	Level 5, 5-7 Kingdon Street, Newmarket, Auckland, New Zealand	New Zealand	NZD Ordinary
Dental Corporation (NZ) Limited	Level 5, 5-7 Kingdon Street, Newmarket, Auckland, New Zealand	New Zealand	NZD 1.00 Ordinary
Bupa Panama S.A.	Prime Time Tower, Floor 25, Office 25 b La Rotonda Ave, Costa del Este, Panama	Panama	US$1,000.00 Ordinary
Integramedica Peru S.A.C.	Av. Guardia Civil 664 San Isidro, Lima, Peru	Peru	PEN Ordinary
Centrum Medyczne Diagnostyka sp. z.o.o.	Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 100.00 Ordinary
Centrum Opieki Medycznej Comed Sp. z.o.o.	ul. Elblaska 135, 80-718, Gdansk, Poland	Poland	PLN 500.00 Ordinary
Diagnostic – Med. Centrum Diagnostyki Radiologicznej Sp. z.o.o.	Grunwaldzka 16/18 Street, 60-780, Poznan, Poland	Poland	PLN 500.00 Ordinary
Elba 1 Sp. z.o.o.	ul. Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 50.00 Ordinary
Elblaska Sp. z.o.o.	ul. Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 50.00 Ordinary
Euro-Clinic Sp. z.o.o.	ul. Pilotow, nr 2, 31-462, Krakow, Poland	Poland	PLN 50.00 Ordinary
Lux Med Lodz Sp. z.o.o.	ul. Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 50.00 Ordinary
LUX MED Sp. z.o.o.	ul. Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 500.00 Ordinary
LUX-MED Investment Spolka Akcyjna	ul. Postepu 21 C Street, 02-676, Warsaw, Poland	Poland	PLN 50.00 Series A PLN 50.00 Series B PLN 50.00 Series C
Medicor Centrum Medyczne sp. z.o.o.	35-068 Rzeszow, Stanislawa Jablonskiego, 2/4 Street, Poland	Poland	PLN 1,000.00 Ordinary
Medicor sp. z.o.o.	35-068 Rzeszow, Stanislawa Jablonskiego, 2/4 Street, Poland	Poland	PLN 1,000.00 Ordinary
Medika Uslugi Medyczne Sp. z.o.o.	Kuznicka 1 Street, 72-010, Police, Poland	Poland	PLN 50.00 Ordinary
Megamed Sp. z.o.o.	Czapliniecka 93/95, 97-400, Belchatow, Poland	Poland	PLN 1,000.00 Ordinary
Tomograf Sp. z.o.o.	ul. Stefana Batorego 17/19, 87-100 Torun, Poland	Poland	PLN 500.00 Ordinary
Amedex Services Ltd. (St Kitts)	Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis	Saint Kitts and Nevis	US$1.00 Capital Stock
Bupa Singapore Holdings Pte Ltd	600, North Bridge Road, #05-01 Parkview Square, 188778, Singapore	Singapore	SGD Ordinary
Elegimosalud S.L.U	Calle Ribera Del Loira , 52 – 28042, Madrid, Spain	Spain	€1.00 Ordinary
Especializada y Primaria L'Horta-Manises, S.A.U.	Avenida Generalitat Valenciana no 501, Valencia, Spain	Spain	€1.00 Ordinary
Grupo Bupa Sanitas S.L.U.	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€100.00 Ordinary
La Seu Valencia S.L.U.	calle Gobernador Viejo, 21, Valencia, Spain	Spain	€1.00 Ordinary
Sanitas Emision S.L.U.	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€1.00.Ordinary
Sanitas Holding, S.L.U.	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€1.00 Ordinary
Sanitas Mayores Navarra S.L.	Avda Marcelo Celayeta, 144 – Pamplona (31014), Spain	Spain	€60.10 Ordinary
Sanitas Mayores Pais Vasco S.A.	c/ Eguskiaguirre no.8, 48902, Baracaldo, Bilbao, Spain	Spain	€120.00 Ordinary
Sanitas Mayores S.L.	Calle Tuset 5 – 11, Barcelona, Spain	Spain	€651.28 Ordinary

Notes to the Financial Statements continued
for the year ended 31 December 2016

Name		Country	Share class
Sanitas Nuevos Negocios S.L.U.	Calle Ribera Del Loira, 52 – 28042, Madrid, Spain	Spain	€1.00 Ordinary
Sanitas S.L. de Diversificacion S.U.	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€6.02 Ordinary
Sanitas, S.A. de Hospitales S.U.	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€6.01 Ordinary
LMG Forsakrings AB	Box 27093, 102 51, Stockholm, Sweden	Sweden	€1,000.00 Ordinary
Bupa Global Middle East (DIFC) Limited	Unit 10, Level 3, Gate Village Building 10, Dubai International Financial Centre, Dubai, UAE, PO Box 507019, United Arab Emirates	United Arab Emirates	US$1.00 Ordinary
Bupa Care Homes (Carrick) Limited	39 Victoria Road, Glasgow, G78 1NQ	United Kingdom	£1.00 Ordinary
Cromwell Health Group Limited	Cromwell Hospital, Cromwell Road, London, SW5 0TU	United Kingdom	£1.00 A Ordinary
Medical Services International Limited	Cromwell Hospital, Cromwell Road, London, SW5 0TU	United Kingdom	£1.00 Ordinary
Bupa Insurance Company	17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	United States	US$1.25 Capital Stock
Bupa Investment Corporation, Inc.	17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	United States	US$1.00 Capital Stock
Bupa U.S. Holdings, Inc.	17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	United States	US$0.01 Common Stock
Bupa Worldwide Corporation	17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	United States	US$5.00 Capital Stock
U.S.A. Medical Services Corporation	17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	United States	US$5.00 Capital Stock
Altai Investments Limited	PO Box 957, Offshore Incorporations, Centre, Road Town, Tortola, Virgin Islands, British	Virgin Islands, British	HKD 1.00 Ordinary USD 1.00 Ordinary
Berkshire Group Limited	PO Box 957, Offshore Incorporations, Centre, Road Town, Tortola, Virgin Islands, British	Virgin Islands, British	USD 1.00 Ordinary
Dynamic People Group Limited	PO Box 957, Offshore Incorporations, Centre, Road Town, Tortola, Virgin Islands, British	Virgin Islands, British	USD 1.00 Ordinary

Subsidiary undertakings

Name	Registered Address	Country	Share class	Effective holdings (%)
Bupa Servicios de Salud SpA[3]	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary	100.00
Examenes De Laboratorio S.A.[4]	Avenida Italia 1056, Providencia, Santiago, Chile	Chile	CLP Ordinary	100.00
Integramedica S.A.[5]	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary	100.00
Sonorad I S.A. [4]	Las Bellotas No.200, Providencia, Sanitago, Chile	Chile	CLP Ordinary	100.00
Sonorad II S.A. [4]	Las Bellotas No.200, Providencia, Sanitago, Chile	Chile	CLP Ordinary	100.00
Isapre Cruz Blanca S.A.	Cerro Colorado 5240, Piso 7, Las Condes, Santiago, Chile	Chile	CLP Ordinary	99.01
Clinica Renaca S.A.	Anabaena 336, Jardin del Mar, Renaca, Vina del Mar, Chile	Chile	CLP Ordinary	88.60
Desarrollo E Inversiones Medicas S.A.	Anabaena 336, Jardin del Mar, Renaca, Vina del Mar, Chile	Chile	CLP Ordinary	88.60
Inmobiliaria Centro Medico Antofagasta S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.44
Inversiones Clinicas Pukara S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Centro Medico Antofagasta S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Inmobiliaria Somequi S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Servicios Y Abastecimiento A Clinicas S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Sociedad De Resonancia Magnetica Del Norte S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Sociedad Medico Quirurgica De Antofagasta S.A.	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	CLP Ordinary	85.43
Sociedad Medica Imageneologia Clinica Renaca Limitada	Anabaena 336, Jardin del Mar, Renaca, Vina del Mar, Chile	Chile	CLP Social Rights	70.88
Sociedad De Inversiones Pacasbra S.A.	Doctor Juan Noe 1370, Arica, Chile	Chile	CLP Ordinary	69.19
Centro De Diagostico Avanzado San Jose S.A.	Doctor Juan Noe 1370, Arica, Chile	Chile	CLP Ordinary	69.98
Corporacion Medica de Arica S.A.	Doctor Juan Noe 1370, Arica, Chile	Chile	CLP Ordinary	68.97
Promotora De Salud S.A.	Anabaena 336, Jardin del Mar, Renaca, Vina del Mar, Chile	Chile	CLP Ordinary	67.03
Recaumed S.A.	Cerro Colorado 5240, Piso 11, Las Condes, Santiago, Chile	Chile	CLP Ordinary	58.40
Bupa Ecuador S.A. Compania de Seguros[6]	Av. Republica de El Salvador N34-229, 4th Floor, Quito, Ecuador	Ecuador	USD 1.00 Capital Stock	100.00
Central Medical Diagnostic Centre Limited	3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	Hong Kong	HKD 1.00 Ordinary	70.00

Name	Registered Address	Country	Share class	Effective holdings (%)
Central MRI Centre Limited	3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	Hong Kong	HKD 1.00 Ordinary	70.00
Central PET/CT Scan Centre Limited	3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	Hong Kong	HKD 1.00 Ordinary	70.00
MediPeru S.A.C	Av. Guardia Civil 664 San Isidro, Lima, Peru	Peru	PEN Ordinary	99.97
Anglolab S.A.	Av. Guardia Civil 664 San Isidro, Lima, Peru	Peru	PEN Ordinary-A	70.00
Pory 78 Sp. z.o.o.	Pory 78 Street, 02-757 Warsaw, Poland	Poland	PLN 100 Ordinary	98.91
Centrum Diagnostyki Obrazowej Sp. z.o.o.	Broniewskiego 89 Street, 01-876, Warsaw, Poland	Poland	PLN 50 Ordinary	98.54
Centrum Edukacji Medycznej CEMED Sp. z.o.o.	Broniewskiego 89 Street, 01-876, Warsaw, Poland	Poland	PLN 7,000.00 Ordinary	98.54
Service Medica Sp. z.o.o.	Pory 78 Street, 02-757 Warsaw, Poland	Poland	PLN 50.00 Ordinary	98.54
Sport Medica S.A.	Pory 78 Street, 02-757 Warsaw, Poland	Poland	PLN 1.00 Ordinary-A PLN 1.00 Ordinary-B PLN 1.00 Ordinary-C PLN 1.00 Ordinary-D PLN 1.00 Ordinary-E PLN 1.00 Ordinary-F	98.54
Niepubliczny Zaklad Opieki Zdrowotnej Przychodnia Lekarska "POGORZE" Sp. z.o.o.	Porebskiego 9 Street, 81-185, Gdynia, Poland	Poland	PLN 200.00 Ordinary	88.15
Lux Med Tabita Sp. z.o.o.	ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland	Poland	PLN 100.00 Ordinary	88.00
Magodent Sp. z.o.o.	ul. Gen. Augusta Emila Fieldorfa "Nila" 40, Warszawa, 04-125, Poland	Poland	PLN 50.00 Ordinary	80.00
Endoterapia Sp. z.o.o.	Brzeska 12 Street, 03-737, Warsaw, Poland	Poland	PLN 1,000.00 Ordinary	80.00
Sanitas S.A. de Seguros	C/ Ribera del Loira no 52, 28042 Madrid, Spain	Spain	€0.68 Ordinary	99.90
Torrejon Salud, S.A.	Calle Mateo Inurria 1, Urb. Soto de Henares, 28850– Torrejón de Ardoz, Madrid, Spain	Spain	€1,000 Ordinary	60.00
Bupa Health Insurance (Thailand) Public Company Limited	98, Sathorn Square Office Tower, 14th-15th Floor, North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand	Thailand	THB 100.00 Ordinary	74.83
Healthcare Management Company Limited	98, Sathorn Square Office Tower, 14th-15th Floor, North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand	Thailand	THB 100.00 Ordinary THB 100.00 Preference	73.99
Minor Health Enterprises Limited	98, Sathorn Square Office Tower, 14th-15th Floor, North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand	Thailand	THB 100.00 Ordinary THB 100.00 Preference	61.75

Notes to the Financial Statements continued
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Significant holdings in undertakings other than subsidiary undertakings

Associates

Name	Registered Address	Country	Direct/Indirect	Share class	Effective holdings (%)
Centro De Imagenes Medicas Avanzadas San Jose S.A.	Doctor Juan Noe 1370, Arica, Chile	Chile	Indirect	CLP Ordinary	48.28
Sociedad Instituto De Cardiologia Del Norte Limitada	Manuel Antonio Matta 1945, Antofagasta, Chile	Chile	Indirect	CLP Social Rights	42.71
Forsikringens DataCenter A/S	Lautrupvang 3A, DK-2750 Ballerup, Denmark	Denmark	Indirect	DKK 1.00 Ordinary	33.33
Max Bupa Health Insurance Company Limited	Max House, 1, Dr Jha Marg, Okhla, New Delhi, 110020, India	India	Indirect	INR 10.00 Ordinary	49.00
Endoterapia PFG Sp. z.o.o	Al. Niepodleglosci 18, 02-653, Warsaw, Poland	Poland	Indirect	PLN 50.00 Ordinary	32.00
Bupa Arabia For Cooperative Insurance Company	Al-Khalidiyah-Nour Al Ehsan 3538, Unit 1 Jeddah 7505-23423, P.O. Box 23807, Jeddah, 21436, Saudi Arabia	Saudi Arabia	Indirect	SAR 10.00 Ordinary	26.25
Bupa Holdings (Thailand) Limited	98, Sathorn Square Office Tower, 14th-15th Floor, North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand	Thailand	Indirect	THB 100.00 Ordinary	49.00
Healthcode Limited	Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, England, TW18 3BA, UK	United Kingdom	Indirect	£1.00 A Ordinary £1.00 E Ordinary	20.00
Highway to Health, Inc	One Radnor Corporate Center, Suite 100, Radnor, PA 19087, United States	United States	Indirect	US$0.01 Ordinary	49.00
HTH Re, Ltd	United States	United States	Indirect	US$1.00 Ordinary	49.00
HTH Worldwide, LLC	United States	United States	Indirect	US$1.00 Ordinary	49.00
Worldwide Insurance Services, LLC	United States	United States	Indirect	US$1.00 Ordinary	49.00

Joint Ventures

Name	Registered Address	Country	Effective holdings (%)
Mobile Dental Pty Ltd	Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia	Australia	49.00
SmartGenRx Pty Limited	Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia	Australia	38.71
Bupa Middle East Holdings Two W.L.L.	Flat 41, Building No. 962, Road 1812, Block 318, Manama/Al Hoora, Bahrain	Bahrain	50.00
Alpha Medical MRI (TST) Limited	3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	Hong Kong	65.00
Centrum Edukacyjne Medycyny Sportowej Sp. z.o.o.	Marszalkowska 99 A lok. 5B Street, 00-693, Warsaw, Poland	Poland	49.27
Nazer Bupa Medical Equipment Company Limited	P.O. Box 5958 Jeddah 21432, Khaldyah Dist. Bin Suliman Centre 6th floor, Prince Sultan Road, Jeddah, Saudi Arabia	Saudi Arabia	50.00
Bupa CSH Limited	Bupa House, 15-19 Bloomsbury Way, London, WC1A 2BA, England	United Kingdom	50.00
Fulford Grange Medical Centre Limited[1]	Bridge House, Outwood Lane, Horsforth, Leeds, LS18 4UP, England	United Kingdom	50.00

1 Dormant

2 Directly owned by The British United Provident Association Limited.

3 Bupa Servicios de Salud SpA is 99.99861% owned by the Group.

4 Examenes De Laboratoria S.A., Sonorad I S.A. and Sonorad II S.A. are 99.99860% owned by the Group.

5 Integramedica S.A. is 99.9986% owned by the Group.

6 Bupa Ecuador is 99.999846% owned by the Group.

Note

8.0 Non-controlling interests

Non-controlling interests in brief

Additional disclosure is provided for entities which are consolidated where the Company does not hold a 100% interest.

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

Bupa Health Insurance (Thailand) plc

The directors have concluded that the Group controls Bupa Health Insurance (Thailand) plc and its holding companies; Bupa Holdings (Thailand) Ltd, Minor Health Enterprises Ltd and Healthcare Management Co Ltd.

The Group holds 25% of the voting rights of Bupa Health Insurance (Thailand) Plc directly along with a 49% minority interest in the holding companies mentioned above, that in turn hold the other 75% of the voting rights. The articles of these holding companies require shareholder decisions to be unanimous, meaning that the holding companies are unable to exercise any actions without the Group's agreement.

Eurocredit Investment Fund 1 plc

Eurocredit Investment Fund is a structured entity set up for the purpose of investing in primary and secondary secured loans. Bupa is the only company contributing investment capital but the nominal share capital is held by a charitable trust. The Group participates in the risks and rewards, but 100% minority interest is recognised due to the Group holding no share of the ownership.

UK Care No 1 Limited

During 2016, the Group acquired 100% of UK Care No 1 Limited, a structured entity incorporated for the purposes of issuing the Group's secured loans which were repaid in 2016. In 2015, 100% minority interest was recognised due to the Group holding no share of the ownership but participating in the risks and rewards.

(ii) Subsidiary significant restrictions

There are no significant restrictions on the subsidiaries ability to access or use the assets to settle the liabilities of the Group. The Group's insurance entities are subject to local regulatory requirements.

(iii) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

Bupa acquired 56.4% of the shares in Bupa Chile on 24 February 2014 and on 5 December 2015 exercised its option to acquire an additional 17.3% of the shares, bringing the total ownership to 73.7% at 31 December 2015. The Group acquired 100% ownership of Bupa Chile in 2016 with the transaction occurring in two stages; on 8 January 2016 the Group secured a further 26% interest, with the remaining 0.3% shareholding acquired on 26 February 2016. Please see acquisitions in Note 4.0 for further detail.

On 22 April 2016, the Group increased its shareholding in Torrejón Salud S.A. From 50% to 60%.

Notes to the Financial Statements continued
for the year ended 31 December 2016

Summarised Statement of Financial Position	**Torrejón 40.0% NCI 2016 £m**	Torrejón 50.0% NCI 2015 £m	**Bupa Chile 0.0% NCI 2016 £m**	Bupa Chile 26.3% NCI 2015 £m
Current assets	**60.2**	41.9	**–**	109.9
Current liabilities	**(45.0)**	(32.5)	**–**	(172.4)
Current net assets/(liabilities)	**15.2**	9.4	**–**	(62.5)
Non-current assets	**89.9**	77.8	**–**	387.3
Non-current liabilities	**(88.4)**	(73.9)	**–**	(139.9)
Non-current net assets	**1.5**	3.9	**–**	247.4
Net assets	**16.7**	13.3	**–**	184.9
Accumulated NCI	**6.7**	6.7	**–**	48.6

Summarised Statement of Other Comprehensive Income	**Torrejón 40.0% NCI 2016 £m**	Torrejón 50.0% NCI 2015 £m	**Bupa Chile 0.0% NCI 2016 £m**	Bupa Chile 26.3% NCI 2015 £m
Revenue	**81.1**	71.0	**–**	656.3
Profit for the period	**1.3**	(5.9)	**–**	(1.9)
Profit allocated to NCI	**0.5**	(3.0)	**–**	(1.2)
Dividends paid to NCI	**–**	–	**–**	(1.4)

	Torrejón		**Bupa Chile**	
Summarised cash flows	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Cash flow from operating activities	**(6.9)**	(3.3)	**–**	0.4
Cash flow from investing activities	**–**	–	**–**	(16.6)
Cash flow from financing activities	**5.8**	2.5	**–**	5.0
Net decrease in cash and cash equivalents	**(1.1)**	(0.8)	**–**	(11.2)

Note

9.0 Five year financial summary

Five year financial summary in brief

The five year financial summary provides a five year time summary in order to better understand trends.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue – segmental analysis					
Australia & New Zealand	**4,360.6**	3,648.4	3,759.6	3,791.8	3,554.0
UK	**2,785.9**	2,857.8	2,711.2	2,573.5	2,528.8
Europe & Latin America	**2,474.7**	2,027.4	2,036.3	1,497.2	1,190.8
International Markets	**1,427.8**	1,295.7	1,271.6	1,196.6	1,099.3
Net reclassifications to other expenses or financial income and expense	**(1.1)**	(0.9)	(0.9)	(0.4)	0.9
Unallocated central revenues	**–**	–	–	–	0.1
Consolidated total revenues	**11,047.9**	9,828.4	9,777.8	9,058.7	8,373.9

Reorganised Market Unit structure is detailed in Note 2.0.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Claims and expenses					
Operating expenses (including claims)	**(10,436.3)**	(9,250.1)	(9,143.9)	(8,497.8)	(7,840.4)
Impairment of goodwill	**–**	(114.1)	–	(20.7)	–
Impairment of other intangible assets arising on business combinations	**(20.7)**	–	(0.7)	(12.8)	–
Other income and charges	**(38.9)**	(40.6)	12.9	(7.1)	(3.2)
Total claims and expenses	**(10,495.9)**	(9,404.8)	(9,131.7)	(8,538.4)	(7,843.6)
Profit before financial income and expense	**552.0**	423.6	646.1	520.3	530.3
Financial income and expense	**(29.1)**	(49.3)	(36.9)	(5.9)	54.8
Profit before taxation expense	**522.9**	374.3	609.2	514.4	585.1
Taxation expense	**(136.1)**	(96.0)	(86.4)	(103.0)	(134.9)
Profit for the financial year	**386.8**	278.3	522.8	411.4	450.2
Attributable to:					
Bupa	**381.6**	278.3	515.7	405.6	439.7
Non-controlling interests	**5.2**	–	7.1	5.8	10.5
Profit for the financial year	**386.8**	278.3	522.8	411.4	450.2
Equity					
Property revaluation reserve	**706.1**	632.3	707.9	700.2	631.9
Income and expenditure reserve and other reserves	**5,228.2**	4,797.9	4,590.7	3,940.6	3,544.9
Cash flow hedge reserve	**14.7**	20.8	20.0	25.0	25.1
Foreign exchange translation reserve	**595.3**	(96.9)	71.4	182.8	590.1
Equity attributable to Bupa	**6,544.3**	5,354.1	5,390.0	4,848.6	4,792.0
Equity attributable to non-controlling interests	**30.7**	69.5	78.4	22.2	25.9
Total equity	**6,575.0**	5,423.6	5,468.4	4,870.8	4,817.9

International Financial Reporting Standards relevant to Bupa

International Financial Reporting Standards (IFRS)

IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 7	Financial instruments: disclosures
IFRS 8	Operating segments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement

International Accounting Standards (IAS)

IAS 1	Presentation of financial statements
IAS 2	Inventories
IAS 7	Cash flow statements
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the reporting date
IAS 12	Income taxes
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19R	Employee benefits
IAS 20	Accounting for government grants and disclosure of government assistance
IAS 21	The effects of changes in foreign exchange rates
IAS 23	Borrowing costs
IAS 24	Related party disclosures
IAS 27	Consolidated and separate financial statements
IAS 28	Investments in associates
IAS 32	Financial instruments: presentation
IAS 36	Impairment of assets
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 38	Intangible assets
IAS 39	Financial instruments: recognition and measurement
IAS 40	Investment property

Interpretations

IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim financial reporting and impairment
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfer of assets from customers
IFRIC 21	Levies
SIC 15	Operating leases – incentives
SIC 27	Evaluating the substance of transactions involving the legal form of a lease
SIC 29	Service concession arrangements: disclosures
SIC 32	Intangible assets – website costs