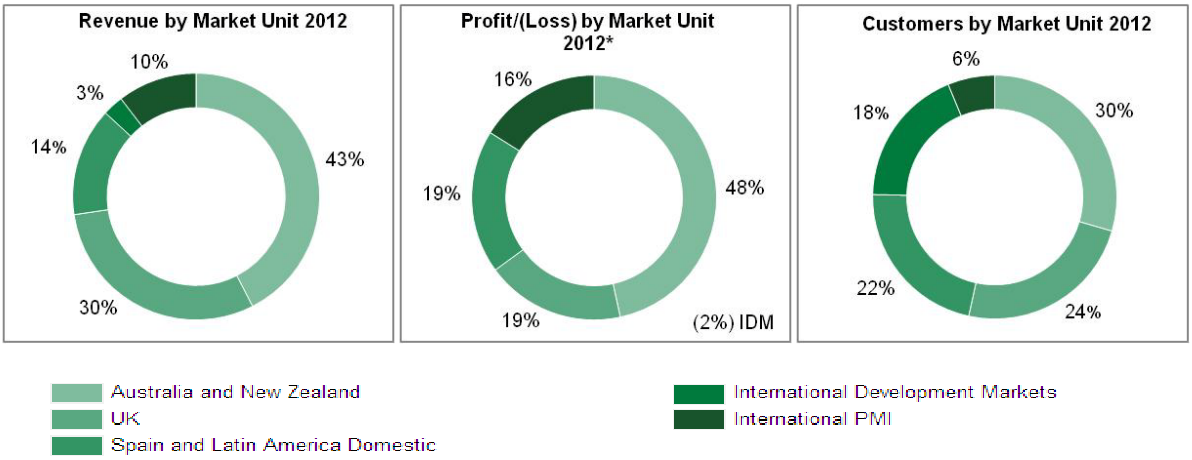
Bupa

Preliminary results announcement for the year ended 31 December 2012

STRONG INTERNATIONAL PERFORMANCE DRIVES PROFIT GROWTH

HIGHLIGHTS

- **Strong financial results**
  - Revenues up 4% to £8.4bn.
  - Underlying profit before taxation up 8% to £604.0m.[†]
  - Customer numbers up 9% to 11.8m.
  - Profit before taxation up 165% to £583.6m.[‡]
  - Strong cash flow from operations at £742.9m (2011: £515.5m).
  - Leverage reduced to 19% (2011: 20%).
  - Capital investment of £246.5m (2011: £211.6m).



- **Strong international growth**
  - Profit growth driven by strong performances in Australia, Spain and International Private Medical Insurance.
  - International operations now account for 70% of revenue earned in 2012, and we expect the proportion of overseas income to grow in future years.
  - Disappointing performance in the UK due to weak economy, challenged market dynamics and public spending pressure.

- **Good operational performance**
  - Significant product and service innovation across our markets, addressing changing customer needs.
  - Championing quality care while controlling costs in our funding and care services businesses.
  - UK delivering supply side reform to make health insurance more affordable.

- **Investing in growth**
  - Strengthened foothold in new segments and geographies.

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† See Financial Review for definition of underlying profit before taxation and summary of non-underlying profit items.
‡ Increase in profit before taxation due to impairment of intangible assets arising on business combinations in 2011 (£299.5m).
* Profit/(Loss) by Market Unit includes share of post taxation results of equity accounted investments and excludes amortisation and impairment of intangible assets arising on business combinations.

- Secured second Public-Private Partnership (PPP) in Spain through the acquisition of a 50% stake in the Torrejón Hospital in Madrid and acquired the remaining 40% minority stake in the Manises Hospital, our existing PPP in Valencia.
- Continued investment in organic growth, particularly in our care services businesses and dental centres in Spain and the UK.
- We announced our intention to acquire Innovative Care's 10 care homes, which completed in February 2013, making Bupa Care Services Australia the country's largest private care services provider.
- We also announced our intention to acquire LUX MED, Poland's largest private healthcare provider, subject to local regulatory approval.
- We are in negotiations with the shareholders of Dental Corporation, Australia and New Zealand's largest dental business, to purchase the business's 190 clinics. The transaction is subject to the majority of shareholders voting in favour of a scheme of arrangement.

- **New vision, structure and leadership**
  - Ambition defined in new 'Bupa 2020' vision, developed to impact millions more lives.
  - New company operating model and structure launched creating five Market Units - four geographic and one global - to drive customer focus, growth and operational performance.
  - New appointments in key posts to deliver at pace.
  - Strong focus on 2012 performance alongside strategic focus on the future.

Stuart Fletcher, CEO of Bupa, commented:
"2012 was a good year for Bupa and I'm truly proud of what our people have achieved. We focused on customer care and service, new product development, operational efficiency, and driving performance. At the same time we are developing a clear and bold vision for our future, true to our purpose of longer, healthier, happier lives. 2012 marked a step change in our journey to create an even stronger and more vibrant Bupa.

"Our status - without shareholders and therefore free to reinvest profits into more and better healthcare - is critical to the relationship we have with our customers and business partners. We are building on our very strong foundations, changing the pace of our growth and development and reaching millions more customers with products and services which meet their needs in both existing and new markets."

"We anticipate economic challenges to continue in a number of countries in which we operate, in particular, the UK and Spain. However, the company, as demonstrated over the last five years, is extremely resilient and has delivered growth year on year and we expect our track record of growth to continue in 2013."

"The consumer demand for healthcare around the world, our financial strength and the benefits of our status, combined with the power of our brands and our long-term commitment to, and relationship with our customers, mean we are well positioned to take advantage of opportunities and to bring quality, affordable healthcare to millions more people."

Enquiries:

Bupa	Evelyn Bourke - CFO	020 7656 2576
	Gareth Evans - Treasurer	020 7656 2316
	Steve John / Amy Gooden - Corporate Affairs	020 7656 2239
Brunswick	Nick Cosgrove	020 7404 5959

CHIEF EXECUTIVE OFFICER'S REVIEW

In 2012, we delivered strong growth, with customer numbers up 9%, revenues up 4% and profit before tax up 165%. Our underlying profit, up 8% to £604.0m, has grown every year during the global recession demonstrating the strength of our geographic and service diversification, as well as that of our finances and our brands.

Having joined the business as CEO in March 2012, I am delighted to report that in addition to delivering very good underlying performance, we have managed a significant degree of change.

Our Executive Team looked at our business during the year and focused on creating an ambitious, expansive vision for what Bupa will look like in 2020. We envisage being a significantly bigger company serving more customers in more markets with innovative products and services in addition to our existing offerings. This focus is also about defining what we stand for: providing personalised advice and care, being obsessive about making quality healthcare affordable and accessible and being committed to tackling some of the toughest challenges in healthcare.

We have clearly placed our purpose – longer, healthier, happier lives – at the heart of everything we do. We launched our Well World commitments with specific goals for keeping people well and supporting a healthy planet. We have set ourselves two goals – that by 2015, we will have enabled 60 million people to make positive changes to be healthier and happier and to help protect the environment while we will have reduced our carbon footprint by 20%.

Our clarity about our future direction guided our thinking on our operating model and organisation. We have, as a consequence, re-structured the organisation into five Market Units which are focused on the market place and our customers and will allow us to drive efficiencies. As we reorganised ourselves we also refreshed our Executive Team, with internal moves combined with some additional talent from outside Bupa.

Economic conditions continued to present challenges in a number of markets, especially Europe. We created new, innovative lower cost products for corporate customers, for the self-employed and for individuals. Our international private medical insurance business also developed products that are more flexible and tailored to the needs of the individual and in Australia we supported families and niche groups with specialist services and advice.

We expanded our dental provision in Spain and the UK and we are currently in negotiations with the shareholders of Dental Corporation, Australia and New Zealand's largest dental business, to purchase the business's 190 clinics. The transaction is subject to the majority of shareholders voting in favour of a scheme of arrangement. Similarly, in Australia and New Zealand, we extended our retail offering with new centres in Brisbane and Sydney, providing eye care, health screenings and nutrition and wellbeing advice. New care homes were opened or acquired across the two countries adding 640 beds. We also announced our intention to acquire care home operator Innovative Care's care homes, which completed in February 2013, adding more than 1,100 beds to Bupa's portfolio and making us Australia's largest private care services provider.

Organic growth in less developed markets continued apace, with, for example, Bupa Mexico, one of our health insurance operations, driving good growth in new customer numbers as a result of opening six new sales offices, launching new products and a brand-building marketing campaign.

We also accelerated our plans to make quality healthcare more affordable and accessible, and ensure health insurance in the UK delivers tangible value for money. We provided detailed evidence to the Competition Commission to call for remedies that deliver greater competition, efficiency and transparency in the private healthcare provision market.

There are no easy solutions, but a lack of competition between hospitals and information on quality of care is pushing up the cost of insurance premiums, which continue to rise at unsustainable levels putting the future of the private healthcare sector at risk.

In the UK, we have made fundamental changes to ensure we address excessive claims inflation driven by both private hospital and consultant practices, and fees. The changes we are making, whilst not always popular, are necessary to ensure more customers in the UK are able to access affordable, high quality private healthcare. There is still much to do in the UK market but we are taking the necessary steps which we believe will help create a foundation to turn this market around. If the private healthcare sector as a whole does not address the issue of affordability, the consequence will not only be a lack of choice for customers, but potentially, an NHS left to pick up the ultimate cost of the £5 billion spent annually on healthcare in the private sector.

We grew our business in ways that we believe allow us to deliver quality health outcomes. In Spain, our integrated health funding and provision model continued to provide differentiation in the market, enabling growth. This model, based on quality of health outcomes, we believe, is the future for sustainable quality healthcare. We acquired the remaining 40% share of the Manises Hospital, our PPP in Valencia, and purchased a 50% stake in the Torrejón Hospital in Madrid. In spite of a challenging economic environment, our Spanish businesses performed very well.

In December 2012, we announced our intention to acquire LUX MED, Poland's largest private healthcare company, subject to regulatory approval. LUX MED will make Bupa the number one player in Poland's private healthcare funding and provision markets, adding one million new customers to Bupa's international portfolio. In healthcare funding, LUX MED is Poland's market leader in medical subscriptions, a corporate product offering employees rapid access to outpatient services. In provision, LUX MED has a national network of outpatient clinics and diagnostic centres, as well as a day hospital and a large nursing and residential care home. Its model aligns with Bupa's ambition to see greater integration between health funding and provision.

Outlook

We are in a good position to grow our business in 2013 including through acquisition and partnership. We will be obsessive about making quality healthcare affordable and accessible, continue to create personalised products and services that are tailored to individual needs, and tackle some of the toughest challenges in healthcare.

Difficult economic conditions in Europe will continue to put pressure on our UK and Spanish businesses but increasing consumer expectations, ageing populations, rising levels of chronic disease, and improvements in treatments and drugs are trends that will continue to fuel demand for healthcare and drive Bupa's growth. We will continue to differentiate ourselves through our healthcare expertise and by expanding our integrated funding and provision model.

These trends will also mean healthcare systems around the world will need to focus on keeping people well if they are to remain sustainable for the long-term. Bupa's 2020 vision addresses some key issues at the heart of a sustainable healthcare system. We are committed to becoming a healthcare partner to millions more people around the world.

BUSINESS AND FINANCIAL REVIEW

Australia and New Zealand

	Revenues	Profit
2012	£3,554.0m	£278.3m
2011	£3,252.8m	£249.0m
Percentage growth	9% ↑	12% ↑

The Australia and New Zealand Market Unit is comprised of three business units:

- Bupa Australia, the largest privately owned health insurance provider in the country which also offers health assessments, health coaching, international health cover and optical care;
- Bupa Care Services Australia, which provides care to around 4,000 elderly residents in 50 homes; and
- Bupa Care Services New Zealand, which cares for more than 3,800 people in 47 homes, 20 retirement villages and seven rehabilitation sites and also provides telecare services via a personal alarm network.

In a challenging economic and regulatory environment, performance was very strong with growth in revenue and profit across our private health insurance and care services businesses.

Growth in the health insurance business was driven by expansion of the corporate business, development of new products and additional marketing investment. We continued to expand our retail presence, opening stores in Gladstone and Brisbane in Queensland and in Sydney's China Town providing customers with rapid access to eye care, health screenings and nutrition and wellbeing advice on the high street.

Customers rating our quality of service as good or great increased seven percentage points to 82% in 2012 while recognition of the Bupa brand in Australia, following the rebrand of MBF, HBA and Mutual Community in 2011, is now higher than these legacy brands. We also won a ‘Your Life Choices’ award for being the most trusted health brand for over 50s.

Growth in Care Services was driven by investment in, and the opening and acquisition of, new homes. 640 care home beds and 95 assisted living units were added in 2012. 85% of residents rated our quality of service as good or excellent.

We announced our intention to acquire 10 care homes from Innovative Care, located in Victoria, Queensland and New South Wales, adding more than 1,100 beds to Bupa's portfolio. The transaction completed in February 2013. We are now the largest private care services provider in Australia with more than 5,600 beds in 60 homes.

We are in negotiations with the shareholders of Dental Corporation, Australia and New Zealand’s largest dental business, to purchase the business’s 190 centres. The transaction is subject to the majority of shareholders voting in favour of a scheme of arrangement.

Health Insurance
The business performed very well in 2012 with revenue and profit up, driven by strong growth of share in the corporate market and the successful launch of three products targeted at families.

In July 2012, the Australian government introduced changes to legislation for private health insurance (PHI) leading to the means-testing of the PHI rebate, a subsidy paid by the government to individuals to support up-take. The reform caused some customers to become more price-sensitive, a trend that is expected to continue in 2013. Price increases, which are government regulated, were also lower than expected, squeezing margins.

Despite some customers downgrading their cover as a result of the rebate reform, the PHI market continued to grow with customer numbers growing by 4%. We achieved a higher share of PHI customer growth than any other competitor in the 12 months to June 2012. The quality of the business was also recognised when we received an 'Outstanding Value Health Insurance' award at the CANSTAR awards.

Care Services
Social care reforms by the Australian government in April 2012 reduced the funding of care services in a bid to limit government subsidies, which placed pressure on margins. However, the Australian care homes business saw gains in both revenue and profit driven by acquisitions and investment in facilities.

Resident numbers increased although occupancy declined marginally by 0.5% to 92.8% (FY 2011: 93.3%), as a consequence of a significant increase in capacity. A new home in Sydney was opened in May adding 144 beds, while the acquisition of two homes in Hobart and Toowoomba added a further 249 beds.

In New Zealand, revenue increased as both capacity and the number of residents grew. Profit growth was helped by higher property valuation gains. However, occupancy rates slipped slightly to 92.8% in care homes and 91.7% in villages as capacity grew more swiftly than resident numbers, but still compared very well against the market. 79% of residents rated our quality of service as very good or excellent.

In Australia, we agreed a research programme, in partnership with the University of Tasmania, which will see the introduction of General Practitioners into our care homes in 2013 to provide an enhanced level of care to our residents.

In New Zealand, during the year, we acquired a brain injury rehabilitation business, a 65-bed care home and continued to invest in both villages and care homes, more than doubling capital spend to deliver additional capacity at both new and existing sites.

UK

	Revenues	Profit
2012	£2,528.8m	£109.7m
2011	£2,506.2m	£140.9m
Percentage growth/(decline)	1% ↑	(22%) ↓

The UK Market Unit in 2012 comprised four business units:

- Bupa Health and Wellbeing (BHW), offering health insurance and wellbeing services;
- Bupa Care Services (BCS), providing care to more than 17,900 residents in almost 300 homes;
- Bupa Home Healthcare (BHH), providing out of hospital healthcare services to more than 17,000 patients; and
- Bupa Cromwell Hospital (BCH), Bupa's complex care hospital based in London, providing care for insured, self-pay and international patients.

Challenging trading conditions continued, adversely impacting customer numbers and profit, particularly in our health insurance business where low consumer confidence, rising healthcare costs and market issues had a significant impact on performance. As the leading provider of health insurance, we responded to market issues by innovating with new, more affordable products and continued to take action to reform the market in an effort to make health insurance more affordable for the long-term.

Our care services business remained under pressure as fees from local authorities and Primary Care Trusts remained stagnant while operating costs continued to rise. During 2012, we commissioned independent research on what constitutes the fair cost of care. The most recent report, *Bridging the Gap*[§], found the gap between the cost of providing care and what providers received from local authorities was almost £900m per annum.

A hoped-for solution from the government to fix the chronic underfunding of social care was unfortunately not forthcoming in the Government's White Paper and Draft Bill, announced in July. In February 2013, in response to the Dilnot Review of 2011, a cap on the amount any individual has to pay for their care was set by the government at £75,000. While this is a step in the right direction, the cap will only cover the 'care' element of costs and people will have to continue to pay for the 'hotel' elements such as food.

In March 2012, Bupa cemented its reputation as a leader in dementia care by signing up to the Prime Minister's Challenge - a move that prompted the Prime Minister to praise Bupa as one of the most forward thinking care providers. As part of our commitment to improving the quality of life for people with dementia, we made a commitment in November to open the first dementia teaching care home in the UK.

Our Home Healthcare business grew its services as a result of more patients using our medicines management, home Total Parenteral Nutrition and home oncology services. The Bupa Cromwell Hospital delivered double digit growth in revenue due to growth in outpatient services such as diagnostics scans and *Cromwell Direct*, a new rapid-referral service for GPs.

[§] See Bupa.com for full report

In July, we announced our intention to make a multi-million pound investment to expand our number of dental clinics with the ambition of having 50 centres by 2015, increasing our presence five-fold. The new centres will provide high quality, affordable dentistry in major cities in locations where people work with appointments outside of traditional office hours.

Health insurance and wellbeing services
BHW provides health insurance to individuals, small and large businesses, offers wellbeing services and runs dental centres. Profits were down due to a decline in customers and higher claims costs. Customer numbers fell 6% to 2.69m (2011: 2.87m), while the average claims costs per customer increased by 6%.

During 2012, several new products were brought to market to respond to customer demand for more affordable healthcare solutions. *Bupa on Demand*, a self-pay option for people to access one-off, non-urgent procedures such as hip replacements and cataract surgery, was launched in August, while *Bupa Business Health Solutions*, a low-cost suite of products for corporate customers, was created to enable businesses to offer more employees the benefits of private healthcare. Products for small and medium-sized enterprises were also enhanced and this segment of the market grew in the last quarter of 2012.

We acted to address market issues and deliver value for money for customers. As well as keeping tight control on our own operating costs, we negotiated with hospitals, reviewed what consultants are paid to treat Bupa members to reflect current complexity of procedures, and championed quality healthcare.

We also engaged with the Competition Commission to support its investigation into the market for the provision of private healthcare and believe there is a need to help drive the necessary reforms. We believe the investigation has the potential to drive greater accountability among consultants for the quality and value of care they provide, see hospital chains competing on quality and value and an end to the practices within the system that create conflicts of interest for doctors and unnecessarily drive up costs.

2012 saw the launch of a new promotional campaign which highlighted the benefits of Bupa's cancer cover. Benefits include the personalised support patients receive from the Oncology Support Team to help them make informed decisions about their treatment and provide support in making complicated decisions. TV advertising, telling the stories of real Bupa customers who had suffered from cancer and benefited from Bupa cover, was supported by the launch of a series of children's books to help parents talk to their children about cancer after being diagnosed with the disease.

Customer satisfaction remained steady in 2012 with 68% of personal health insurance customers rating our quality of service as very good or excellent. BHW also won 'Health Insurer of the Year' at the Financial Adviser Life and Pensions Awards.

To provide an increased focus on services for our customers, BHW was split into two from January 2013 – Bupa Health Funding and Bupa Health Clinics. While Bupa Health Funding will focus purely on health insurance, Bupa Health Clinics will comprise our Wellness Centres, Clinics, Occupational Health and dental provisioning.

Care Services
Occupancy was stable at 87.3% but the business saw a small decline in profit due to inflationary cost pressures which were compounded by below-inflation fee increases from local authorities and Primary Care Trusts, who pay for more than 70% of our residents. We also invested £44.6m in opening new homes and extending and refurbishing the existing portfolio.

We were the first large care home operator to be awarded the 'Investors in People' gold award for our continued commitment to developing our people. We continue to deliver a strong overall resident satisfaction score with 77% of our residents rating our services as very good or excellent, rising to 95% for quality of care.

Home Healthcare and Hospital Services
BHH saw significant growth in patient numbers as a result of more patients using our medicines management, home *Total Parenteral Nutrition* and home oncology services. 95% of patients rated our service as very good or excellent.

We announced a partnership with the Co-operative Pharmacy for outpatient dispensing and with BlueBird Care to enable the delivery of domiciliary care alongside home healthcare. We also acquired GEM, a family-run business providing out-of-hospital chemotherapy services for oncology patients.

We began an investment programme to upgrade and implement new systems with a view to better enabling growth and improving customer satisfaction.

BCH in West London saw double digit growth in revenue as a result of growth in inpatients, day cases and outpatients, particularly pathological and diagnostic scans. The *Cromwell Direct* admission service was launched, and exceeded expectations with 830 patient appointments booked generating increased revenue. International and Consultant revenues also grew significantly.

The hospital opened a lung function laboratory in May, which has seen a continuous month-on-month increase in activity and a new Women's Health Centre in June. 96% of patients said they were likely to recommend BCH to others. The business made a £8.9m investment in 2012 in its redevelopment programme to deliver its ambition of being London's most advanced private hospital.

Spain and Latin America Domestic

	Revenues	Profit
2012	£1,190.8m	£113.4m
2011	£1,212.6m	£106.1m
Percentage growth/(decline)	(2%) ↓	7% ↑

The Spain and Latin America Market Unit comprises five business units:

- Sanitas Seguros, providing health insurance services;
- Sanitas Hospitales and New Services, operating three private hospitals, 17 private medical clinics, health and wellbeing services and two Public-Private Partnerships;
- Sanitas Dental, providing dental insurance services through 111 centres and third-party networks;
- Sanitas Residencial, caring for around 4,000 residents in 40 care homes; and
- LatAm Domestic, a new business established in October 2012 which is currently planning its entry strategy but as yet, has no in-country presence.

Despite a tough economic environment, our Spanish businesses delivered a strong performance with continued growth in customers and profit. In our health insurance business, this was driven by successful product launches, an effective customer retention strategy and ongoing management of medical costs. Higher levels of activity in our three private hospitals and 17 medical centres reflects a differentiated, quality experience to insurance customers, enabling us to realise the benefits of our integrated model. Customer satisfaction scores improved across all of our Spanish businesses compared to 2011. Excluding the impact of foreign exchange movements, revenue grew by 5%.

A new health centre, Sanitas's largest, was opened in Alcobendas, a suburb of Madrid. For the first time, the centre offers both wellbeing and medical services in the same location, including diagnostic tests and IVF, pilates, physiotherapy and cosmetic treatments. This approach allows shared service synergies to be realised between these two business areas.

We expanded the *Healthcare Partner Programme*, offering customers a differentiated set of services, beyond cardiology, gynaecology and new baby checks-ups, to include young children, adolescents and men to help support customer retention, drive activity across hospitals and position the business as a leader in prevention. The *Healthcare Partner Programme* was praised by the leading business magazine, Actualidad Economica, as one of the 'Most Innovative Ideas' in Spain.

We established an early-diagnosis dementia team in our care services business while a new *Customer Eye Programme* was created to focus solely on improving the customer experience and making care homes feel more homely. Over a million pounds was invested in refurbishment of interiors and gardens.

The Avedis Donabedian Foundation, part of the University of Barcelona, awarded Sanitas with an 'Excellence in Quality' prize for the quality, management and service of care homes.

Our Public-Private Partnership (PPP) with the regional government of Valencia performed well as did our dental business, where growth was driven by the rapid expansion of clinics and the launch of a new low-cost product.

In December, we secured a second major PPP in Spain with the acquisition of 50% of the 250-bed Torrejón Hospital. We will be responsible for the medical management of the hospital for the community of Madrid for a 30-year period, serving a population of 138,000.

Health insurance
Despite the very tough economic environment with unemployment reaching 25% in 2012, the health insurance business performed well with a double-digit growth in profit, adding more than 44,000 customers. Growth was driven by the launch of a suite of more affordable products targeting specific customer segments such as the self-employed, small businesses and large corporates. Other drivers of growth included an effective customer retention strategy to retain high value customers, and the enhancement of the multi-channel sales model.

Hospitals and Provision
Profit growth in our hospitals and provision businesses was strong driven by the integration of our funding and provision services which offers differentiation in a highly competitive market. The benefits of the Sanitas integrated model were also seen through the increasing numbers of Sanitas insurance customers using CIMA, Sanitas's private hospital in Barcelona, acquired in 2011.

Activity at La Zarzuela and La Moraleja hospitals in Madrid increased as a consequence of investment in technology, refurbishment of facilities and expansion of services. At La Moraleja Hospital, we opened a new dermatology unit offering services such as micro-pigmentation in breast reconstruction surgery following cancer treatment. At CIMA, we hired new teams to boost expertise in thoracic surgery, oncology and haematology.

Our PPP with the regional government of Valencia to build and run Manises, a public hospital, to serve 195,000 people, continued to perform well with the hospital extending its services to better serve local residents and attract more patients from outside the locality. Tight cost control also enabled the business to improve profitability while improving clinical outcomes such as a better control of chronic conditions compared to 2011. In May, we opened a paediatric neuro-rehabilitation centre, attracting acclaimed medical practitioners to Manises, and in December, we acquired the remaining 40% minority stake in the hospital, allowing us to take full management control.

Dental
More than 183,000 dental insurance customers were added in 2012 driven by the launch of a new low-cost product, *Dental XXI*, the development of new sales channels and the expansion and improvement of dental centres, which also drove sales. In the second half of 2012, we opened 41 centres taking the total to 112.

Care Services
A decline in public expenditure on social services due to austerity measures put pressure on our business but revenues remained stable as a result of an increase in occupancy. Profits decreased marginally due to an increase in operating costs. Occupancy increased as the business continued to focus on differentiation and attracting more self-funded residents in response to cuts in public funding, although the self-pay market was also depressed.

Latin America Domestic
Since October 2012, we have been planning our entry strategy into the Latin American domestic market with a view to expansion in 2013/2014.

International Development Markets

	Revenues	Profit (Loss)
2012	£227.3m	£(11.5)m
2011	£244.2m	£(9.1)m
Percentage (decline)	(7)%↓	(26)% ↓

International Development Markets combines our existing local businesses in our markets around the world with a focus on investment in developing markets with significant future growth potential. Our existing businesses include:

- Domestic health insurance businesses in Thailand, Hong Kong, India, Saudi Arabia and China; and
- Health Dialog, a health analytics business in the USA.

International Development Markets' insurance businesses showed strong growth in revenue and a 24% increase in customers, driven by our international reputation in customer service and delivery. However, the Market Unit saw an overall decline in performance due to challenges faced in our Health Dialog business. Bupa's healthcare expertise is a key driver of growth as it differentiates us from local market competitors who are primarily multi-line insurers.

Revenues and profits grew strongly in Thailand and Hong Kong, where double digit growth in customer numbers was driven by significant contract wins and growth in corporate customers. In Hong Kong, the buoyant economy saw companies expand their workforce, boosting the number of lives covered. For individual customers, new more flexible product options performed well. Brand awareness reached 84% and customer satisfaction hit an all-time high of almost 80%. In Thailand, revenue and profit were up due to double digit growth in customer numbers driven by significant contract wins and improved retention. Revenue from smaller companies increased significantly due to development of a new product package and restructure of the sales process.

In India, Max Bupa, our joint venture[*] with Max India grew revenues and customer numbers as a result of improved sales management and productivity. We won the right to provide health insurance to the population of two low-income health districts under a government scheme. Nine small branches opened and *Max Life Synergy*, a pilot partnership in which Max Bupa representatives were based in Max Life offices, was expanded to 25 locations following initial success.

Bupa Arabia, our associate[*] company in Saudi Arabia continued to successfully grow customer numbers in an increasingly competitive environment. We opened five new retail outlets and new products were launched, aimed at families and coverage of domestic workers, such as drivers and maids. We also won several awards including 'Best Company to Work For' for Women in Saudi Arabia for the third time in recent years, and 'Best Call Centre' in the Middle East.

Health Dialog provides health analytics and care management services to regional and national health insurance companies, unions and employers to improve the quality of care and reduce the cost of healthcare.

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[*] The revenues of equity accounted joint ventures and associates are not included in segmental revenue figures quoted in the table above

We faced continuing challenges from the changing healthcare landscape in the USA and revenue was significantly down as a result of large regional insurers in-sourcing disease management. We continued to build our *Total Population Health* solution through a partnership with Limeade, a leading provider of online wellness, which helped client retention in some areas. The programme gives employers the opportunity to target each employee with tailored, relevant health solutions from online exercise tips to intensive telephone coaching support. We are piloting a programme with clients to deliver health coaching in the provider setting rather than through insurers.

In December 2012, we announced our intention to acquire LUX MED, the largest private healthcare provider in Poland, to deliver on our strategy of helping to deliver more affordable and accessible healthcare. This acquisition is subject to local regulatory approval.

International Private Medical Insurance (IPMI)

	Revenues	Profit
2012	£872.0m	£96.2m
2011	£795.9m	£84.9m
Percentage growth	10% ↑	13% ↑

International Private Medical Insurance (IPMI) provides international health insurance to individuals, small businesses and corporate customers in more than 190 countries.

New partnerships, development of innovative products, enhanced direct sales capability, and improved customer service drove very strong growth in revenue, profit and customer numbers in Asia, the Middle East and North Africa. The business is particularly successful at quickly responding to the healthcare needs of an increasingly mobile workforce. Continued investment in operations in Latin America included the rollout of new sales offices and the launch of a marketing campaign in Mexico.

Customer loyalty and satisfaction scores continued to improve throughout 2012 and in Latin America, they increased for a third successive year with 74% of customers rating service as very good or excellent reflecting the overall investment and improvements in service delivery.

The business delivered a very strong performance as a result of rapid growth in individual and corporate customers, a new partnership in Libya and expansion into new territories working with Bupa Australia, Max Bupa and Bupa China.

We launched *Bupa Flex,* allowing customers to buy IPMI for a period of less than a year, the usual minimum policy length. A series of specialised products and services were also introduced for small and medium-sized businesses in the oil and gas, maritime and exploration sectors.

We continued to expand our network of assured hospitals, helping to drive up clinical quality in the countries in which Bupa operates around the world. The programme has now assessed 100 hospitals in 23 countries and we are increasingly seeing hospitals in developing countries looking to Bupa for guidance on raising quality and measuring clinical outcomes.

We invested in infrastructure to improve our online sales capability with the launch of our *Quick Quote* website in October 2012, making purchasing products through tablet and mobile devices possible. We delivered a new administration system to improve the efficiency and scale of our 24/7 medical support service which enables patients to be evacuated and repatriated wherever they are in the world, to a country where they can receive high quality healthcare.

Customer loyalty and retention remained major themes for the business. Investment was made in creative customer communications, a *Bupa Rewards Programme* that offers health-related gifts at renewal was launched, and online claims processing was improved.

We won the 'International Assistance Group' award for our *Lifestraws Programme*, which supplies portable water filtration devices to families in Kenya for each sale of a *Vital Africa* product, an emergency-only policy for people working in Africa.

We continued our strong development agenda in Latin America as we aimed to improve service and enter new markets. In addition to investment in Mexico, new management teams have been introduced into the Ecuador, Bolivia and Dominican Republic operations with new product launches planned for 2013. Pursuit of further new market entries are also being planned for 2013.

We launched a new website offering health and wellbeing information as well as interactive guides to our products, which generated additional sales in the months following launch. A claims service centre in the Dominican Republic was established to improve customer service and reduce operating costs.

FINANCIAL REVIEW

Underlying profit before taxation

To reflect the trading performance of the business in a consistent manner, we adjust profit before tax for impairment and amortisation of intangible assets arising on business combinations, net revaluation and impairment charges on property, gains or losses on return seeking assets, foreign exchange, profit or loss on sale of business and one-off items. 2011 was impacted by the significant impairments on our Health Dialog business and the impairment of the MBF brand, following the transition to the Bupa brand in Australia. In 2012, the launch of Bupa 2020 and the associated reorganisation of our business resulted in some one-off costs being incurred.

NON-UNDERLYING PROFIT ITEMS

	2012 £m	2011 £m
Restructuring costs	23.2	-
Impairment of intangible assets arising on business combinations	-	299.5
Amortisation of intangible assets arising on business combinations	26.8	34.9
Net property revaluation and impairment charge	5.1	17.5
Gains on return seeking assets, net of hedging	(26.1)	(6.6)
Other	(8.6)	(6.3)
Total non-underlying profit items	20.4	339.0

Income Statement

Financial income and expenses
Net financial income increased to £54.8m (2011: £20.5m). This was primarily due to the strong performance on the return seeking asset portfolio of £26.1m (2011: £6.6m), after the net impact of hedging. Further positive variances resulted from the impact of a higher cash balance and lower foreign exchange hedging costs. This was partly offset by the impact of lower interest rates in Australia and Spain.

Profit
The Group's profit before taxation expense was £583.6m (2011: £220.0m), with underlying profit before taxation of £604.0m (2011: £559.0m).

Taxation
The taxation expense of £134.9m (2011: £84.1m) represents a headline effective rate of 23% (2011: 38%) and is below the Group's blended rate of 27% (2011: 28%) mainly due to recognition of prior year tax credits. However, based on underlying profit of £604.0m, the effective rate of 30% (2011: 29%) is higher than the blended rate mainly due to the derecognition of deferred tax assets and other expenditure items not qualifying for taxation relief.

Balance sheet

Cash and other financial assets

The Group holds cash and other financial assets principally to meet the liabilities and solvency requirements of its regulated insurance subsidiaries. Cash and other financial investments totalled £3,559.9m at 31 December 2012 (2011: £3,111.5m).

Interest bearing liabilities

At 31 December 2012, the Group had total interest bearing liabilities of £1,145.9m (2011: £1,128.5m), which consisted primarily of secured loans and bonds. We reduced our leverage (debt to debt plus equity) to 19% (2011: 20%) at the year end.

Post employment benefits

Net assets in respect of post employment benefits have increased to £42.4m (2011: £3.0m). Higher than expected returns on plan assets and a reduction in the implied inflation rate were partially offset by higher liabilities from a reduced discount rate and a strengthening of the mortality assumption.

Foreign exchange

Approximately 65% (2011: 66%) of net assets are denominated in foreign currencies, primarily Australian Dollars, Euros and New Zealand Dollars. Excluding goodwill and intangible assets denominated in foreign currencies, the proportion reduces to approximately 31% (2011: 27%). In 2012, approximately 19% of the Group's net asset exposure, excluding goodwill and intangible assets, was hedged using foreign currency borrowings and currency forward contracts. The net decrease in the foreign exchange translation reserve was £72.6m and represents the decrease in the value of the underlying net assets of the Group's overseas subsidiaries, net of hedging. The decrease in reserves reflects the appreciation, within the year, of Sterling against the Australian Dollar, the New Zealand Dollar and the Euro.

Cash flow and financing

In 2012, Bupa generated £742.9m (2011: £515.5m) in operating cash flows. This is the fourth consecutive year in which we have delivered in excess of £500m of operating cash flows, allowing us to reduce leverage, invest in our care home estate and other health care provision assets, maintain strong funding headroom and investigate opportunities for acquisitions and partnerships.

BUSINESS RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the Risks and Uncertainties section of the Bupa Annual Report and Accounts 2012.

Bupa maintains a well established process for identifying and managing business risks. In addition to those risks highlighted in the Annual Report, this preliminary announcement highlights the following key risks in the current weak economic climate:

- Bupa operates in a number of countries in which near term economic growth is uncertain. In particular, the UK and Spanish economies remain challenging with high unemployment levels and severe public funding pressures. These economic conditions may impact the Group's trading performance in Bupa's insurance and care services businesses. To mitigate this risk, our businesses continue to develop differentiated products and services, focus on customer retention and continue to control costs carefully.

- In many markets in which Bupa operates, health and care is impacted by changes to public policy. The decisions of governments and local authorities on issues such as tax relief and the pricing and regulation of health insurance, as well as funding of care services fees and referrals present a risk to some Bupa businesses.

The British United Provident Association Limited

Preliminary Announcement
Financial Information

Year ended 31 December 2012

Bupa

Consolidated income statement

for the year ended 31 December 2012

	Note	2012 £m	2011 £m
Revenues			
Gross insurance premiums		6,692.8	6,379.9
Premiums ceded to reinsurers		(29.2)	(34.4)
Net insurance premiums earned		6,663.6	6,345.5
Revenues from insurance service contracts		11.4	11.9
Care, health and other revenues		1,698.9	1,660.7
Total revenues	2	8,373.9	8,018.1
Claims and expenses			
Insurance claims incurred		(5,187.9)	(4,948.5)
Reinsurers' share of claims incurred		15.5	29.0
Net insurance claims incurred		(5,172.4)	(4,919.5)
Share of post-taxation results of equity accounted investments		2.9	(2.4)
Other operating expenses		(2,672.4)	(2,574.3)
Impairment of goodwill		-	(165.8)
Impairment of other intangible assets arising on business combinations		-	(133.7)
Other income and charges	3	(3.2)	(22.9)
Total claims and expenses		(7,845.1)	(7,818.6)
Profit before financial income and expenses		528.8	199.5
Financial income and expenses			
Financial income	4	124.6	95.0
Financial expenses	5	(69.8)	(74.5)
		54.8	20.5
Profit before taxation expense	2	583.6	220.0
Taxation expense		(134.9)	(84.1)
Profit for the financial year		448.7	135.9
Attributable to:			
Bupa		438.2	131.1
Non-controlling interests		10.5	4.8
Profit for the financial year		448.7	135.9

Bupa

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	2012 £m	2011 £m
Profit for the financial year	448.7	135.9
Other comprehensive (expense) / income		
Unrealised loss on revaluation of property	**(17.0)**	(31.1)
Actuarial gain / (loss) on pension schemes	**18.5**	(93.0)
Foreign exchange translation differences on goodwill	**(40.7)**	3.4
Other foreign exchange translation differences	**(39.4)**	(5.8)
Net gain on hedge of net investment in overseas subsidiary companies	**5.3**	7.8
Realisation of cash flow hedge	**-**	(1.3)
Change in fair value of underlying derivative of cash flow hedge	**(0.8)**	(1.0)
Loss on cash flow hedge on LUX MED acquisition	**(2.2)**	-
Acquisition of subsidiary companies attributable to non-controlling interest	**5.8**	-
Acquisition of non-controlling interest in subsidiary company	**(5.3)**	-
Taxation credit on income and expense recognised directly in other comprehensive income	**8.2**	33.2
Other comprehensive expense for the year, net of taxation	**(67.6)**	(87.8)
Total comprehensive income for the year	**381.1**	48.1
Attributable to:		
Bupa	**381.7**	43.9
Non-controlling interests	**(0.6)**	4.2
Total comprehensive income for the year	**381.1**	48.1

Bupa
Consolidated balance sheet
for the year ended 31 December 2012

	Note	2012 £m	2011 £m
Non-current assets			
Intangible assets		2,146.1	2,208.8
Property, plant and equipment		2,323.4	2,272.5
Investment property		159.9	132.5
Equity accounted investments		34.2	43.3
Financial investments		1,086.1	661.5
Derivative assets*		84.0	76.7
Assets arising from insurance business		0.6	4.9
Deferred taxation asset		2.6	-
Other receivables*		121.9	55.7
Restricted assets*		44.0	39.4
Post employment benefit net assets		104.9	68.1
		6,107.7	5,563.4
Current assets			
Financial investments		1,165.4	1,221.6
Derivative assets*		1.6	5.0
Inventories		19.9	16.5
Assets arising from insurance business		870.4	828.8
Trade and other receivables*		404.7	303.8
Restricted assets*		8.7	5.9
Cash and cash equivalents*		1,255.7	1,183.1
		3,726.4	3,564.7
Total assets		9,834.1	9,128.1
Non-current liabilities			
Subordinated liabilities	6	(451.2)	(428.9)
Other interest bearing liabilities	6	(667.3)	(669.4)
Derivative liabilities*		(4.5)	(5.0)
Provisions under insurance contracts issued		(24.8)	(25.7)
Post employment benefit net liabilities		(62.5)	(65.1)
Provisions for liabilities and charges		(26.3)	(26.6)
Deferred taxation liabilities		(158.3)	(174.7)
Other payables*		(19.9)	(12.3)
		(1,414.8)	(1,407.7)
Current liabilities			
Subordinated liabilities	6	(6.0)	(5.9)
Other interest bearing liabilities	6	(21.4)	(24.3)
Derivative liabilities*		(3.7)	(3.8)
Provisions under insurance contracts issued		(2,355.2)	(2,136.5)
Other liabilities under insurance contracts issued		(16.8)	(13.7)
Provisions for liabilities and charges		(58.5)	(55.9)
Current taxation liabilities		(157.4)	(135.8)
Trade and other payables*		(982.4)	(900.6)
		(3,601.4)	(3,276.5)
Total liabilities		(5,016.2)	(4,684.2)
Net assets		**4,817.9**	**4,443.9**
Equity			
Property revaluation reserve		631.9	642.7
Income and expenditure reserve		3,544.9	3,075.9
Cash flow hedge reserve		25.1	29.0
Foreign exchange translation reserve		590.1	662.7
Equity attributable to Bupa		4,792.0	4,410.3
Equity attributable to non-controlling interests		25.9	33.6
Total equity		**4,817.9**	**4,443.9**

* These balance sheet items have been re-presented, further details are provided in Note 1.

Bupa
Consolidated statement of cash flows
for the year ended 31 December 2012

	2012 £m	2011 £m
Operating activities		
Profit before taxation expense	583.6	220.0
Adjustments for:		
Net financial income and expenses	(54.8)	(20.5)
Depreciation, amortisation and impairment	196.8	493.5
Other non-cash items	1.2	23.9
Changes in working capital and provisions:		
Increase in provisions and other liabilities under insurance contracts issued	260.3	4.6
Increase in assets under insurance contracts issued	(47.3)	(47.2)
Change in net pension asset / liability	(20.9)	(31.4)
(Increase) / decrease in trade and other receivables, and other assets	(74.1)	45.3
Increase / (decrease) in trade and other payables, and other liabilities	26.6	(53.1)
Cash generated from operations	871.4	635.1
Income taxation paid	(121.1)	(109.7)
Increase in cash held in restricted assets	(7.4)	(9.9)
Net cash generated from operating activities	742.9	515.5
Cash flow from investing activities		
Acquisition of subsidiary companies, net of cash acquired	(21.6)	(11.7)
Acquisition of equity accounted investments	(3.7)	(5.6)
Acquisition of non-controlling interest in subsidiary company	(3.9)	-
Dividends received from associates	-	1.5
Disposal of subsidiary companies, net of cash disposed of	-	171.7
Disposal of equity accounted investments	25.1	-
Purchase of intangible assets	(67.6)	(63.9)
Purchase of property, plant and equipment	(178.0)	(147.2)
Proceeds from sale of property, plant and equipment	4.2	1.5
Purchase of investment property	(19.3)	(7.4)
Purchase of financial investments, excluding deposits with credit institutions	(149.9)	(258.6)
Proceeds from sale of financial investments, excluding deposits with credit institutions	222.5	321.4
Net (investment into) / withdrawal from deposits with credit institutions	(425.0)	224.7
Interest received	58.8	61.5
Net cash (used in) / generated from investing activities	(558.4)	287.9
Cash flow from financing activities		
Repayment of interest bearing liabilities	(26.7)	(205.4)
Interest paid	(65.8)	(63.1)
Receipts from / (payments for) hedging instruments	10.6	(6.3)
Dividends paid to non-controlling interests	(7.1)	(0.3)
Net cash used in financing activities	(89.0)	(275.1)
Net increase in cash and cash equivalents	95.5	528.3
Cash and cash equivalents at beginning of year	1,183.0	654.8
Effect of exchange rate changes	(25.1)	(0.1)
Cash and cash equivalents at end of year	1,253.4	1,183.0

Bupa
Consolidated statement of changes in equity
for the year ended 31 December 2012

	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Non-controlling interests £m	Total equity £m
2012							
At beginning of year	642.7	3,075.9	29.0	662.7	**4,410.3**	33.6	**4,443.9**
Retained profit for the financial year	-	438.2	-	-	**438.2**	10.5	**448.7**
Other comprehensive (expense) / income							
Unrealised loss on revaluation of property	(17.0)	-	-	-	**(17.0)**	-	**(17.0)**
Realised revaluation surplus on disposal of property	(1.3)	1.3	-	-	**-**	-	**-**
Actuarial gain on pension schemes	-	18.5	-	-	**18.5**	-	**18.5**
Foreign exchange translation differences on goodwill	-	-	-	(40.7)	**(40.7)**	-	**(40.7)**
Other foreign exchange translation differences	(1.6)	-	-	(37.0)	**(38.6)**	(0.8)	**(39.4)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	5.3	**5.3**	-	**5.3**
Loss on cash flow hedge on LUX MED acquisition	-	-	(2.2)	-	**(2.2)**	-	**(2.2)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.5)	-	**(0.5)**	(0.3)	**(0.8)**
Acquisition of subsidiary companies attributable to non-controlling interest	-	-	-	-	**-**	5.8	**5.8**
Acquisition of non-controlling interest in subsidary company	-	12.0	(1.4)	-	**10.6**	(15.9)	**(5.3)**
Taxation expense and credit on income and expense recognised directly in other comprehensive income	9.1	(1.0)	0.2	(0.2)	**8.1**	0.1	**8.2**
Other comprehensive (expense) / income for the year, net of taxation	**(10.8)**	**30.8**	**(3.9)**	**(72.6)**	**(56.5)**	**(11.1)**	**(67.6)**
Total comprehensive income / (expense) for the year	**(10.8)**	**469.0**	**(3.9)**	**(72.6)**	**381.7**	**(0.6)**	**381.1**
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	**-**	(7.1)	**(7.1)**
Total contributions to non-controlling interests for the year	**-**	**-**	**-**	**-**	**-**	**(7.1)**	**(7.1)**
At end of year	**631.9**	**3,544.9**	**25.1**	**590.1**	**4,792.0**	**25.9**	**4,817.9**
2011							
At beginning of year	660.5	3,019.1	30.7	656.1	**4,366.4**	29.7	**4,396.1**
Retained profit for the financial year	-	131.1	-	-	**131.1**	4.8	**135.9**
Other comprehensive income / (expense)							
Unrealised loss on revaluation of property	(31.1)	-	-	-	**(31.1)**	-	**(31.1)**
Actuarial loss on pension schemes	-	(93.0)	-	-	**(93.0)**	-	**(93.0)**
Foreign exchange translation differences on goodwill	-	-	-	3.4	**3.4**	-	**3.4**
Other foreign exchange translation differences	(0.4)	-	-	(5.1)	**(5.5)**	(0.3)	**(5.8)**
Net gain on hedge of net investment in overseas subsidiary companies on acquisition	-	-	-	7.8	**7.8**	-	**7.8**
Realisation of cashflow hedge on impairment of intangibles arising on acquisition	-	-	(1.3)	-	**(1.3)**	-	**(1.3)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.6)	-	**(0.6)**	(0.4)	**(1.0)**
Taxation expense and credit on income and expense recognised directly in other comprehensive income	13.7	18.7	0.2	0.5	**33.1**	0.1	**33.2**
Other comprehensive (expense) / income for the year, net of taxation	**(17.8)**	**(74.3)**	**(1.7)**	**6.6**	**(87.2)**	**(0.6)**	**(87.8)**
Total comprehensive (expense) / income for the year	**(17.8)**	**56.8**	**(1.7)**	**6.6**	**43.9**	**4.2**	**48.1**
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	**-**	(0.3)	**(0.3)**
Total contributions to non-controlling interests for the year	-	-	-	-	-	**(0.3)**	**(0.3)**
At end of year	**642.7**	**3,075.9**	**29.0**	**662.7**	**4,410.3**	**33.6**	**4,443.9**

Bupa
Notes to the financial information
for the year ended 31 December 2012

1 (a) Financial information and basis of preparation

This preliminary results statement was approved by a duly appointed and authorised committee of the Board of Directors of The British United Provident Association Limited (Bupa) on 11 March 2012.

The financial information for the year ended 31 December 2012 and 31 December 2011 have been prepared under International Financial Reporting Standards as adopted by the EU ('IFRS').

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011 but is derived from those accounts. Statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2012 will be delivered in due course. The auditors, KPMG Audit Plc, have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 31 December 2012 and 2011.

1 (b) Re-presentation of 2011 financial information

During 2012, the Group underwent a reorganisation. A new management structure was put in place, based on the customers and geographical markets in which the Group operates. As a result, the segmental disclosures for the comparative period have been re-presented to reflect the new structure. The Group reorganisation has no effect on aggregated amounts presented in the income statement, but does impact on the segmental disclosures. The new segments reported for the first time in the segmental analysis information are Australia and New Zealand, UK, Spain and Latin America Domestic, International Development Markets and International PMI. The December 2011 balance sheet has also been re-presented to disclose the following:

- Restricted assets (2011: £45.3m) separately from cash and cash equivalents; and
- Derivative assets (2011: £81.7m) and derivative liabilities (2011: £8.8m) separately from trade and other receivables and trade and other payables respectively.

2 Segmental information

	Australia and New Zealand		UK		Spain and Latin America Domestic		International Development Markets		International PMI		Total	
	2012	2011 (restated)	2012	2011 (restated)	2012	2011 (restated)	2012	2011 (restated)	2012	2011 (restated)	2012	2011
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
(i) Revenues												
Total revenues for reportable segments	3,554.0	3,252.8	2,529.4	2,507.0	1,190.8	1,212.6	228.2	245.8	872.0	795.9	8,374.4	8,014.1
Inter segment elimination	-	-	(0.6)	(0.8)	-	-	(0.9)	(1.6)	-	-	(1.5)	(2.4)
External revenues for reportable segments	3,554.0	3,252.8	2,528.8	2,506.2	1,190.8	1,212.6	227.3	244.2	872.0	795.9	8,372.9	8,011.7
Net reclassifications to other expenses or financial income and expenses											0.9	4.4
Unallocated central revenues											0.1	2.0
Consolidated total revenues											8,373.9	8,018.1
(ii) Segment result												
Profit for reportable segments*	278.3	249.0	109.7	140.9	113.4	106.1	(11.5)	(9.1)	96.2	84.9	586.1	571.8
Amortisation of intangible assets	(16.8)	(16.4)	(2.7)	(2.7)	(2.3)	(2.3)	-	(8.5)	(5.0)	(5.0)	(26.8)	(34.9)
	261.5	232.6	107.0	138.2	111.1	103.8	(11.5)	(17.6)	91.2	79.9	559.3	536.9
Net reclassification to financial income and expenses											(8.7)	(4.1)
Unallocated central expenses											(18.6)	(10.9)
Profit**											532.0	521.9
Impairment of goodwill	-	-	-	-	-	-	-	(165.8)	-	-	-	(165.8)
Impairment of intangible assets arising on business combinations	-	(57.5)	-	-	-	(0.9)	-	(75.3)	-	-	-	(133.7)
Other income and charges											(3.2)	(22.9)
Profit before financial income and expense											528.8	199.5
Financial income and expenses											54.8	20.5
Consolidated profit before taxation expense											583.6	220.0
(iii) Other information												
Amortisation and depreciation costs for reportable segments	47.2	47.1	91.6	88.5	28.4	25.9	8.3	20.7	15.0	11.5	190.5	193.7
Non-cash (expenses) / income for reportable segments***	(186.6)	1.9	(80.5)	(86.8)	13.1	32.1	(9.9)	(6.9)	(33.4)	0.1	(297.3)	(59.6)
Unallocated non-cash income											11.8	43.9
Total non-cash expenses											(285.5)	(15.7)

* Profit for reportable segments includes share of post taxation results of equity accounted investments
** Profit before impairment of goodwill, impairment of intangible assets arising on business combinations, other income and charges and financial income and expenses
*** Other than amortisation and depreciation costs

3 Other income and charges

	2012 £m	2011 £m
Net gain on sale of business	-	0.3
Net gain / (loss) on sale of equity accounted investment	8.7	(0.4)
Deficit on revaluation of property	(0.7)	(0.4)
Impairment of property	(11.0)	(20.9)
Net loss on disposal of property, plant and equipment	(0.2)	(1.5)
Total other income and charges	(3.2)	(22.9)

4 Financial income

	2012 £m	2011 £m
Interest income		
Loans and receivables	84.4	81.3
Investments held to maturity	6.4	5.7
Investments designated at fair value through profit or loss	1.7	0.5
Net realised gains on financial investments designated at fair value through profit or loss	-	0.7
Net increase in fair value		
Investments designated at fair value through profit or loss	27.1	4.0
Investment property	6.6	3.8
Net foreign exchange loss	(1.6)	(1.0)
Total financial income	124.6	95.0

Included within financial income is a net gain, after hedging, on the Group's return seeking asset portfolio of £26.1m (2011: net gain of £6.6m). No financial investments designated at fair value through profit or loss are held for trading.

5 Financial expenses

	2012 £m	2011 £m
Interest expense on financial liabilities at amortised cost	(68.4)	(72.8)
Finance charges in respect of finance leases	(0.1)	(0.1)
Other financial expenses	(1.3)	(1.6)
Total financial expenses	(69.8)	(74.5)

The net amount of foreign exchange differences recognised in financial expense for the year, excluding those arising on financial assets and financial liabilities measured at fair value through profit or loss was £nil (2011: £nil).

6 Subordinated liabilities and other interest bearing liabilities

	2012			2011		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Subordinated liabilities						
Callable subordinated perpetual guaranteed bonds	**330.0**	**6.0**	**336.0**	330.0	5.9	335.9
Fair value adjustment in respect of hedged interest rate risk	**84.0**	**-**	**84.0**	76.7	-	76.7
Callable subordinated perpetual guaranteed bonds at carrying value	**414.0**	**6.0**	**420.0**	406.7	5.9	412.6
Other subordinated debt due 2022	**33.3**	**-**	**33.3**	-	-	-
Other subordinated debt due 2024	**-**	**-**	**-**	18.3	-	18.3
10.5% subordinated guaranteed bonds due 2018	**3.9**	**-**	**3.9**	3.9	-	3.9
Total subordinated liabilities	**451.2**	**6.0**	**457.2**	428.9	5.9	434.8
Other interest bearing liabilities						
Senior unsecured bonds	**348.7**	**12.3**	**361.0**	348.2	12.3	360.5
Secured loans	**233.8**	**4.1**	**237.9**	233.9	4.1	238.0
Debenture stock	**51.1**	**2.1**	**53.2**	53.2	1.9	55.1
Bank loans	**31.1**	**0.3**	**31.4**	31.1	5.5	36.6
Bank overdrafts	**-**	**2.4**	**2.4**	-	0.1	0.1
Finance lease liabilities	**2.6**	**0.2**	**2.8**	3.0	0.4	3.4
Total other interest bearing liabilities	**667.3**	**21.4**	**688.7**	669.4	24.3	693.7