

**Bupa Insurance Services Limited**

**Annual Report and Accounts for the financial year ended**

**31 December 2021**



**Registered office:**

**1 Angel Court  
London  
EC2R 7HJ**

**Registered number: 3829851**

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## Strategic Report

for the year ended 31 December 2021

The Directors present their annual report and the financial statements of Bupa Insurance Services Limited (the "Company") for the financial year ended 31 December 2021. The ultimate parent of the Company is the British United Provident Association Limited ("Bupa Ltd" and together with its subsidiaries "Bupa" or the "Bupa Group").

### Principal activities

The principal activity of the Company is the provision of insurance distribution and administrative services to other companies within the Bupa Group. The Company also provides a small volume of third-party administrative services for non-Bupa companies, such as services for medical benefit trust arrangements.

### Key performance indicators

	2021 £'000	2020 £'000
Turnover	617,447	614,614
Profit before taxation	23,549	23,093
Net assets	161,122	137,476

### Results

Turnover has increased and profit before taxation has remained broadly flat, increasing by 1.9% from 2020 as a result of higher income received from Health Trusts and from Bupa Insurance Limited, in relation to services provided, offset by a reduction in the profit share arrangement with Bupa Insurance Limited as claims delayed due to the impacts of COVID-19 started to rebound. The net asset position remains strong.

### Future outlook

The threat of COVID-19 to economies and health systems remains with the emergence of new variants, most recently Omicron, and varying levels of vaccination across the globe. The world is slowly learning to live with COVID-19 and in the UK, our key market, the vaccine roll out has been considered a success with limited measures in place to help control the virus. We are committed to supporting the companies we service to achieve sustainable growth despite the challenging environment. We are continuing to adapt and innovate by investing in products and services as well as initiatives to improve efficiency and grow the business. We expect lower income from the profit share arrangement with Bupa Insurance Limited in 2022 as a result of a rebound of deferred claims, which reduced claims costs in 2021.

### Engaging with our stakeholders (Section 172(1) statement)

The Board has a duty to promote the success of the Company for the benefit of its members as a whole whilst having regard for the interests of our customers, the companies we service, and their customers, our people, our suppliers, the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers, the companies we service, and their customers, our people, our shareholder, our regulators, our suppliers and the communities we operate in. All key Board decisions take into account the impact on relevant stakeholders.

Increasingly, stakeholders are looking to understand our performance across multiple areas from financial performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term success.

The continuing impact of the COVID-19 pandemic required us to adapt our approach to engaging with our stakeholders to reflect their changing needs and expectations in light of the crisis as a result of pandemic restrictions and different ways of working.

### Customers

Our customers, the companies we service, and their customers are at the heart of our business. We aim to deliver truly outstanding services and personalised customer experiences, ensuring great clinical outcomes and value for money.

The Risk Committee reviews the Conduct Risk Dashboard regularly, which includes key metrics to track how we are performing for the companies we service and their customers.

Key considerations for our customers include:

- affordable health insurance distribution and administration services that represent value for money;
- high quality services with broad coverage and high standards of care; and
- simpler and quicker access to services, such as through digital applications.

## Strategic Report (continued)

for the year ended 31 December 2021

Under normal circumstances the Board would engage with customers through site visits, and reviews of data on customer satisfaction and its drivers. In 2021 the Board met 11 times, including 7 times virtually, with additional focus given to the value customers derive from the policies the Company services and support the Company can provide.

### *People*

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to thrive and deliver great outcomes for our customers, the companies we service, and their customers and be healthier and happier themselves.

The Conduct Risk Dashboard includes key metrics to track how we are performing in relation to Culture and People. In addition, the Board discusses the results of the twice-yearly employee survey (People Pulse) which assesses engagement across the Company. Through the People Pulse every employee has the opportunity to participate and share their feedback openly. In our most recent survey in November 2021, 85% (2,127) of employees took the opportunity to have their say which is 5pts higher than Glint's, our survey provider's, high-performance benchmark. Our employees left 6,308 comments with overall sentiment trending positively.

This provides insights to allow the prioritisation of actions in support of key business drivers. In 2021 the survey introduced some new questions to capture feedback on inclusion, wellbeing and sustainability, as well as how well people felt supported and communicated with during the pandemic. These questions sit alongside questions relating to areas such as 'company prospects', 'empowerment', the Bupa Values and Bupa's Speak Up whistleblowing channel. The engagement score was broadly flat at 73 (2020: 74) but we saw increases in many key drivers including Personal Growth, Empowerment and Company Prospects. The business has focussed on supporting and driving action in the areas our people identified as important.

Key themes for employees based on the People Pulse results include:

- Company prospects – being excited about Bupa's future;
- Customer focus – helping to deliver a great customer experience;
- Collaboration – focusing on efficient and effective working practices across teams; and
- Empowerment – feeling empowered to make decisions regarding their work.

The Board has focussed on supporting employees by considering their physical and mental wellbeing needs during the period of time that our people have been working from home. Following the lifting of lockdown, policies and procedures were put in place to ensure that employees remained safe in a hybrid working model.

### *Shareholder*

The Company's immediate parent company is Bupa Finance plc which, has a number of listed debt securities in issue. Therefore, Bupa Ltd is required to operate in accordance with the relevant UK Listing Rules, Disclosure Guidance and Transparency Rules and the EU Market Abuse Regulation in respect of its announcements of financial results and operations.

The Board has a number of ways in which it engages with its ultimate shareholder, Bupa Ltd. These include:

- adherence to the matters reserved for the Bupa Ltd Board;
- a current Bupa Ltd Non-Executive Director sits on the Board;
- periodic attendance of Group Senior Management individuals, who exercise significant influence over the Company, at Board meetings;
- annual attendance of the Board Chair and Chief Executive Officer at the Bupa Ltd Board;
- annual attendance of the Risk, Remuneration and Audit Committee Chairs at Bupa Ltd's equivalent Committees; and
- adherence to Bupa Ltd's Subsidiary Governance Policy.

### *Regulators*

The Company operates in a highly regulated environment. The Company's principal financial regulator is the Financial Conduct Authority ("FCA"). Regulators ultimately aim to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre.

Regulators expect us to:

- have robust and effective processes and controls in place to mitigate risks to protect our customers;
- provide a high-quality experience of our services; and
- ensure we operate in a sustainable way.

The Board has a regular programme of interaction with the FCA and engages with them on key Board decisions.

### *Suppliers*

Suppliers are critical to delivering a high-quality service to our customers. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct.

We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

## Strategic Report (continued)

### for the year ended 31 December 2021

#### Communities and Environment

Our purpose of helping people live longer, healthier, happier lives and making a better world extends to supporting our local communities and reducing our environmental impact.

As a first step to achieving net zero emissions by 2040, we have set science-based targets aligned with keeping global warming to no more than 1.5°C. We have joined the United Nation's Race to Zero campaign with Health Care Without Harm and, in the UK, we have also signed up to the Association of British Insurer's Climate Roadmap with a commitment to reach net zero by 2025 for our directly controlled emissions. For our scope 3 emissions, we are committed to working with our suppliers and our customers to decarbonise activities by 2040. As we work towards net zero carbon emissions, we continue to run our offices on renewable energy and offset any emissions by investing in One Carbon World's reforestation and renewable energy projects that contribute to the United Nation's Climate Neutral Now initiative.

Our community contribution focused on mental wellbeing through the work of the Bupa Foundation, which provides grants of a total of £1.5 million to national and local charities. Our employees play an active part in our community work both through the Bupa Foundation Community Committees and volunteering – thanks to our new policy, all employees now get up to three days paid volunteering leave per year. Our people continued to volunteer for our flagship Wellbeing for Educators programme which has provided wellbeing support to more than 4,000 teachers and charities and also as mentors for young people via our partnership with the charity Career Ready. The Bupa Foundation progressed its partnership with mental health charity Mind to offer vital support to young people via online resources.

In partnership with the City Mental Health Alliance and the Bupa Foundation, we launched The Time To Act Report – this brings together the experiences and perspectives of over 1,000 young professionals and provides clear guidance as to what businesses can do to help their people to thrive and break down mental health stigma.

We sponsored Cheltenham Festivals' 'VoiceBox' at the Autumn Literature Festival – this new community initiative gives young people a platform to support positive mental wellbeing, fostering their creativity via an inclusive space which empowers them to celebrate the power of expression through art, writing, music and performance.

#### Key decisions and their impact on stakeholders

The table below sets out a number of key decisions taken by the Board during the year, how stakeholder views were taken into account and competing interests balanced.

Board Decision	How we took stakeholders into account	Long-term implications
<b>Setting our 3 Year Plan</b>	<p><b>Customers, Regulators and Shareholder</b></p> <p>The Board approved the annual budget and base operating plan for the following three years. The Board monitors performance delivery against this Plan, taking action and engaging further where necessary.</p> <p>The Board chose a three-year assessment period because it ties in with our internal strategic planning process. Our planning considers all important financial and regulatory measures over the period and stresses the key risks facing the Company.</p> <p>Following the implementation of a new strategy by Bupa, the Board reviewed and updated its strategy to further enhance its focus on customers, growth, transformation and sustainability. All of these areas are to be supported by the digitalisation of the customer journey, an increased use of data to develop products that meet customers' needs and a move to a more agile culture to drive the transformation of the business and also fulfil Bupa's purpose to help people live longer, healthier, happier lives and making a better world.</p>	<p>The Plan aims to:</p> <ul style="list-style-type: none"> <li>– deliver outstanding experiences and outcomes for our customers whilst ensuring that they continue to receive fair value from their products;</li> <li>– ensure our business is sustainable and grows in the long-term;</li> <li>– retain our competitive advantage by providing high quality products and services; and</li> <li>– limiting our impact on the environment</li> </ul>
<b>Investing in Digitisation and Information Technology</b>	<p><b>Customers, People and Suppliers</b></p> <p>We are investing significant amounts in information technology and security to protect our customers' privacy, digitise our customers' experience and ensure our suppliers meet appropriate standards for services provided to our customers.</p>	<p>Cyber-crimes such as ransomware attacks are an ever-present threat that constantly evolves and we need to invest to protect our customers' data and maintain their trust in the Company.</p> <p>Investing in digitisation will help Bupa meet</p>

## Strategic Report (continued)

for the year ended 31 December 2021

	<p>The Board considered this investment to be critical to the Company's future success and agreed that capital should be allocated to this activity in priority over investment in other initiatives.</p> <p>This also benefits our people by making their jobs easier and enabling them to spend more time on value-adding activities.</p>	<p>changing customer expectations to interact with us more digitally and make processes more efficient, in turn helping us to provide affordable services.</p>
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### Principal risks and uncertainties

Both business performance and operations are subject to a number of risks and uncertainties. Significant uncertainties persist through the continued impacts of the COVID-19 pandemic, the possibility of a UK-EU trade war arising from the post-Brexit relationship and more general economic challenges such as inflation and supply chain resilience. Additionally, the shift to a lower carbon economy and the potential impacts of climate change are now coming into sharper focus. Taking these macro-level conditions and the sector specific risks around competition and demand into account, there is a large range of potential outcomes that might impact the Company, our customer segments and our supply network. The Directors consider that the key risks and uncertainties centre on the performance of the companies serviced, which are predominantly health insurers, employee retention, and information and technology management.

Performance and risk are monitored by the Board and senior management using operational, financial and other data. The Company's Chief Risk Officer provides regular reporting to the Board Risk Committee on the risk profile of the Company and the key mitigation activities in place.

#### *Servicing Risk*

The volume of services the Company provides, and the ability to manage costs and generate profit, could be impacted by the market conditions that the health insurance companies it services are subject to. These companies predominantly provide domestic Private Medical Insurance in the UK ("UK PMI") and International Private Medical Insurance ("IPMI") to consumers and employees. The Company continues to monitor its revenues and costs to identify adverse trends and manage risks as effectively as possible.

Consideration has been given to the risks that Brexit raises and any latent threat of a UK-EU trade war for the insurance businesses that the Company services. The Company provides services to both Bupa's UK regulated insurance entity Bupa Insurance Limited ("BINS") and Bupa Global Designated Activity Company ("BGDAC"), which was set up to provide insurance cover to EEA-based customers previously covered by the UK insurance entity. Dedicated Brexit oversight remained in place over H1 2021 to monitor the impact of the UK and EU trade deal. Ongoing oversight is now managed within relevant functional and business unit Risk Committees.

The Stress and Scenario Testing ("SST") exercise which assesses the impact on BINS' three-year plan, this year considered two distinct scenarios: (1) 'worst ever' flooding events occurring in consecutive years, and (2) long, slow economic recovery from COVID-19. The flooding scenario is climate change related and envisages an extreme flash flood occurring in two consecutive years, causing disruption to the provision of medical services and/or operational and customer servicing disruptions. The COVID-19 scenario examines a long, slow economic recovery from COVID-19 caused by a number of vaccine-resistant variants and delays to both vaccinations and the achievement of herd immunity.

#### *People Risk*

In light of market pressures and other strategic challenges facing the Company, the Board needs to ensure that the right people are in place to move the Company forward. The Board views the development and training of employees and the recruitment of experienced individuals from outside the Company as central to the organisation's future success. The Company has sound selection, evaluation and reward processes to recruit, recognise and motivate talented individuals.

#### *Information Security and Technology Risk*

Information security risks and those associated with non-compliance with data protection, privacy and information governance requirements remain key risks for the Company. We continue to invest in projects and programmes to ensure that controls are in place and strengthened where necessary to address these risks.

The services provided by the Company are underpinned by information technology systems and infrastructure that enable the delivery of core processes. Failure of these systems may reduce the ability of the Company to deliver services for the health insurance companies it services or increase the risk of information security breaches.

The Company is responsible for the development, maintenance and monitoring of its IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the levels of service required by the companies it services and adequately protect sensitive customer and business data.

The response to COVID-19 has been reflected in the operational risk profile through the impact that the shift to new ways of working has had on employees. An operational resilience framework exists to support continuity of important business services

## Strategic Report (continued)

for the year ended 31 December 2021

from potential significant disruptions or failures to effectively implement significant change. There are a number of transformational change programmes underway including enhancing information security and governance. This introduces risks in relation to the capacity and capability of staff and senior management to continue to deliver the Company's strategic objectives and change programmes. The Company is focused on ensuring it has the right levels and amount of experience and succession plans to manage the business and deliver effective transformational change, supported by a simple, digitalised operating model and enhanced ways of delivering training.

### *Regulatory Risk*

The Company seeks to comply with all regulatory standards and to maintain awareness of, and where possible, anticipate regulatory change. Its principal financial regulator is the FCA, with which the Board and senior managers maintain a close supervisory relationship. Key areas of interest include customer protection, the fair treatment of vulnerable customers, operational resilience, culture and governance. The individual accountability regimes require regulated firms and senior management to act appropriately and with due care. The Company seeks to mitigate the risk that it may fail to meet regulatory expectations through an effective governance framework, and in particular the three lines of defence model which helps to ensure the identification and management of relevant requirements and associated risks.

### *Operational Risk*


The Company manages operational risks arising from its people, processes and systems through the three lines of defence model. In addition, the Company has developed an operational resilience framework to support continuity of business services delivered to customers and business partners should these be impacted through severe but plausible disruptive events.

### *Credit Risk*

Credit risk is the risk that the Company will suffer a financial loss as a result of a counterparty failing to meet all or part of their contractual obligations. The Company pays claims only once it has received the premiums and revenues.

Registered Office:  
1 Angel Court  
London  
EC2R 7HJ

1 March 2022



F Harris

Director

## Directors' Report

for the year ended 31 December 2021

### Results and dividends

The profit for the year, after taxation, amounted to £23,646k (2020: £18,068k). The Company did not pay a dividend during the year ending 31 December 2021.

### Solvency requirement

At 31 December 2021, £82,898k (2020: £68,451k) of capital was held in surplus. As an intermediary regulated by the FCA, the Company is required to maintain a solvency capital of £883k (2020: £2,285k).

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

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

### Directors

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

P J Evans

F Harris

S Kenton

(appointed 27 January 2021, resigned 1 October 2021)

M C Ledlie

S J O'Connor

A P Perry

R A Phipps (Chair)

D W Smith

Bupa Secretaries Limited (Company Secretary)

### Employees

Details of the number of persons employed and gross remuneration are contained in note 3 to the financial statements.

Every effort is made by the Directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance.

A summary of how the directors have engaged with employees and taken account of their interests is included in the Section 172 statement in the Strategic Report.

### Employment of disabled persons

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

### Employment policy

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

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

### Stakeholders

A summary of how directors have engaged with suppliers, customers and others in a business relationship with the Company is included in the Section 172 statement in the Strategic Report.

### Streamlined energy and Carbon reporting

The Company is exempt from reporting company specific information as it is a subsidiary of the British United Provident Association Limited and consolidated reporting is included in the Annual Report and Accounts of that company. Further detail on the commitments made by the Company and Bupa relating to carbon emissions can be found in the Section 172 statement within the Strategic Report.



## Directors' Report (continued)

for the year ended 31 December 2021

### Corporate governance arrangements applied by the Company

The Company is required by UK company legislation to disclose its corporate governance arrangements, including which corporate governance code it chooses to apply. The Company has chosen to apply the UK Corporate Governance Code 2018 (the Code) to the extent it is appropriate for a large, wholly owned subsidiary company with an ultimate parent company which itself seeks to comply with the Code.

The table below sets out how we have complied with the Principles of the Code during 2021.

Principle	How we apply the Principle
<b>1. Board Leadership and Company Purpose</b>	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	<p>The Board is responsible for the long-term sustainable success of the Company for the benefit of its customers and wider stakeholders, now and in the future.</p> <p>The Board works to achieve this by:</p> <ul style="list-style-type: none"> <li>– providing clear leadership in setting the Company's strategy, culture and risk appetite to achieve its purpose;</li> <li>– overseeing management's implementation of strategy within a prudent and effective governance structure using a three lines of defence model;</li> <li>– receiving regular management information on customers and their views of the Company and our products; and</li> <li>– reviewing the results of employee surveys.</li> </ul>
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	<p>The schedule of matters reserved to the Board includes:</p> <ul style="list-style-type: none"> <li>– Setting the overall direction of the business having regard to Bupa's long-term objectives, business strategy, purpose, values, standards and culture; and</li> <li>– Reviewing performance in the light of the Company's strategy, objectives, business plan and budgets and ensuring that any necessary resources are in place in order to meet these objectives.</li> </ul> <p>The Board holds regular strategy meetings throughout the year with updates on progress and deep dives. The Board receives regular updates on culture and conduct throughout the year.</p>
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	<p>The Board annually approves the Company's three-year plan, ensuring that sufficient resources are available to achieve the Company's objectives.</p> <p>The Board retains ultimate responsibility for risk management and internal controls, with detailed oversight carried out by the Audit and Risk Committees.</p> <p>On the recommendation of the Risk Committee, the Board sets the Company's Risk Appetite and Risk Management Framework. These set out the principal risks facing the Company and the nature and extent of risk the Board is willing for the Company to take in order to achieve its strategic objectives.</p> <p>The Company's enterprise risk policies are approved by the Board or relevant committee and overseen by the Risk Committee.</p>
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	<p>We are a customer-focused business reliant on our people to deliver a great service.</p> <p>The Board receives regular management information and considers the impact of decisions on relevant stakeholders. There is a programme of engagement with our key stakeholders: customers, the companies we service, and their customers, our people, our shareholder and our regulators.</p>
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.	<p>The values of the Company are driven from the top by the Bupa Group through the Bupa Code, which all employees must adhere to and complete mandatory training on an annual basis. For the regulated business, employees in the Conduct Rules population must also adhere to the regulatory Conduct Rules. Directors' statutory duties are also set out in the Board's Corporate Governance Manual.</p> <p>The Risk Committee, through the Conduct Risk Dashboard, receives detailed quarterly management information which includes metrics on people and culture issues.</p> <p>A 'Speak Up' programme enables employees to raise any issues confidentially if they feel unable to discuss them with their manager. The Board receives biannual reports on the issues raised under the Speak Up Policy. The Board also receives the results of the People Pulse surveys which provide an indication of the levels of employee engagement and any key issues which need to be elevated to the Board's attention.</p>

**Directors' Report (continued)**  
for the year ended 31 December 2021

<b>2. Division of Responsibilities</b>	
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chair leads the Board in an open and transparent manner, encouraging debate and challenge. He plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the Boardroom. The Chair works with the Company Secretary to ensure that sufficient time is available to discuss the agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	<p>The Board comprises the Chief Executive Officer, Chief Financial Officer, Managing Director of Bupa Global, Chair (who was independent on appointment), and four independent Non-Executive Directors (one of whom sits on the Bupa Ltd Board).</p> <p>The roles of the Chair and Chief Executive Officer are separate with distinct accountabilities set out in their role profiles and Statements of Responsibility required under the Senior Managers &amp; Certification Regime.</p> <p>The Chief Executive Officer is responsible for the day-to-day leadership and management of the business, in line with the risk appetite and annual and long-term objectives approved by the Board.</p> <p>The Chief Executive Officer cascades his authority through a delegated authority framework. The Non-Executive Directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Company's system of governance and the risk appetite set by the Board.</p>
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Prior to their appointment as a director (and on any subsequent re-appointment for a further term), the Nomination Committee considers whether each Non-Executive Director has sufficient time to devote to their role with the Company. This is re-assessed by the Board annually and in light of any changes to a Non-Executive Director's external commitments during the year.
I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	<p>The Company Secretary advises the Board on company law and corporate governance matters. The Company Secretary works with the Chair and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters.</p> <p>The Company Secretary works with management to ensure that the Board receives papers of a high quality in a timely manner. The Company Secretary arranges Directors' induction and ongoing training and supports the succession planning for Non-Executive Directors and the recruitment of new Non-Executive Directors. The Company Secretary is responsible for ensuring compliance with the Group's Subsidiary Governance Enterprise Risk Policy which sets minimum standards of corporate governance across the Bupa Group.</p> <p>The appointment and removal of the Company Secretary is a matter reserved to the Board.</p>
<b>3. Composition, Succession and Evaluation</b>	
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	<p>The Nomination Committee reviews the balance, structure and composition of the Board and its Committees and leads the process for appointments to the Board. It considers Board succession planning, with planning for senior management succession being carried out by the Board.</p> <p>All Board recruitment takes into account the Board Diversity Policy.</p>
K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the	<p>The Nomination Committee reviews the balance, composition and structure of the Board, including reviewing the skills of each Non-Executive Director.</p> <p>In considering succession plans for the Board, the Nomination Committee also keeps the length of service of each Board member under review, recommends</p>

## Directors' Report (continued)

for the year ended 31 December 2021

length of service of the board as a whole and membership regularly refreshed.	the re-appointment of the Non-Executive Directors and any extensions to their term and ensures that Board recruitment is commenced in a timely manner to regularly refresh the membership of the Board.
L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	<p>The annual board evaluation considers the composition and diversity of the Board and how effectively members work together.</p> <p>In 2021, a questionnaire-based Board evaluation was carried out which assessed the effectiveness of the Board and its Committees. The Chair separately led an evaluation of each Director, with the Senior Independent Director leading the evaluation of the Chair.</p>
<b>4. Audit, Risk and Internal Control</b>	
M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	<p>The Board delegates detailed oversight of the internal audit function and the external auditors to the Audit Committee, together with oversight of the Company's system of internal controls over the integrity of the Annual Report and Accounts.</p> <p>On the recommendation of the Audit Committee, the Board reviewed and approved the 2021 Annual Report and Accounts.</p> <p>The Audit Committee leads the annual processes for assessing the effectiveness of the internal and external audit functions.</p>
N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2021 Annual Report and Accounts in early 2022 and was satisfied that it presents a fair, balanced and understandable assessment of the Company's position and prospects. It reported its findings to the Board.
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	<p>An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk function and reported on to the Audit and Risk Committees.</p> <p>The Risk and Audit Committees monitor the Company's risk management and internal control systems on behalf of the Board on a continuous basis and the Risk Committee reviews the Company's principal risks and recommends any changes to risk appetite to the Board.</p>
<b>5. Remuneration</b>	
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	<p>The Company applies the Bupa-wide remuneration policy to all its employees. This remuneration policy, set by the Group Remuneration Committee ("Group RemCo"), is designed to deliver market-competitive remuneration to promote the long-term success of Bupa and link reward to Bupa's strategic goals and purpose while promoting a prudent approach to risk.</p> <p>In assessing incentive outcomes, the Company's Remuneration Committee and the Group RemCo take into account actions and recommendations from executive and non-executive channels for the year to determine whether appropriate risk events have been recognised and dealt with accordingly.</p>
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	<p>The Company's Remuneration Committee provides its view, informed by considerations including their oversight of the Company, regulatory requirements and their knowledge of best practice, to the Group RemCo regarding the on-going appropriateness and relevance of the Bupa-wide remuneration policy, which the Group RemCo will take into account when considering amendments to the remuneration policy.</p> <p>No Director is involved in deciding their own remuneration outcome.</p>
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Company's Remuneration Committee governs the remuneration of key executives, and considers if results have been achieved in a way that aligns with Bupa's values and with sustainable underlying business performance. The Company's Remuneration Committee is comprised of independent non-executive directors and there is cross-membership between the Company's Risk Committee and the Remuneration Committee. The Company's Remuneration Committee has robust discussions on remuneration outcomes for the key executives, taking into account all relevant internal and external factors to ensure that any exercise of the Committee's discretion is suitable and justifiable.

### Disclosure of information to auditors

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

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

## **Directors' Report (continued)**

for the year ended 31 December 2021

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

### **External Auditors Appointment**

Following approval by Bupa Ltd's Association Members at the 2021 Annual General Meeting, PwC was appointed as the Company's auditors with effect from the audit for the financial year ended 31 December 2021, by way of an ordinary shareholder's written resolution passed by the Company's sole shareholder on 7 July 2021.

Registered office:  
1 Angel Court  
London  
EC2R 7HJ

1 March 2022



**F Harris**

**Director**

## Statement of Directors' Responsibilities

for the year ended 31 December 2021

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# **Independent Auditor's Report to the Members of Bupa Insurance Services Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Bupa Insurance Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance Sheet as at 31 December 2021; Profit and Loss account and Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# **Independent Auditor's Report to the Members of Bupa Insurance Services Limited (continued)**

## **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to risk of fraud in management override of controls. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management, senior management involved in the company's Risk and Compliance functions and legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Audit Committee
- Attendance at the Audit Committee and the Regulated Entities' Reporting and Disclosure Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by infrequent users, or posted with descriptions indicating a higher level of risk;
- Assessing the impact of COVID-19 on the inherent risk of fraud, including potential opportunities for fraud with remote working

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# **Independent Auditor's Report to the Members of Bupa Insurance Services Limited (continued)**

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Bolton (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
1 March 2022



# **Profit and Loss Account and Statement of Comprehensive Income** for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	2	617,447	614,614
Net operating expenses	3	(591,493)	(589,358)
<b>Profit before taxation, financial income and expense</b>		<b>25,954</b>	<b>25,256</b>
<b>Financial income and expenses</b>			
Interest receivable and similar income	4	183	608
Interest payable and similar expenses	5	(2,588)	(2,771)
		(2,405)	(2,163)
<b>Profit before taxation expense</b>		<b>23,549</b>	<b>23,093</b>
Taxation on profit on ordinary activities	7	97	(5,025)
<b>Profit for the financial year</b>		<b>23,646</b>	<b>18,068</b>
<b>Total comprehensive income for the year</b>		<b>23,646</b>	<b>18,068</b>

All profits are derived from continuing operations.

Notes 1-21 form part of these financial statements.


# Balance Sheet

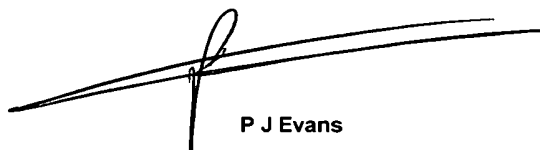
as at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	8	53,695	48,673
Negative goodwill	8	-	-
Land and buildings	9	66,675	72,952
Fixtures, fittings and equipment	10	3,050	3,995
<b>Total fixed assets</b>		<b>123,420</b>	<b>125,620</b>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	131,417	172,517
Deferred taxation assets	12	17,333	13,594
Cash and cash equivalents	13	159,480	120,881
<b>Total current assets</b>		<b>308,230</b>	<b>306,992</b>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	14	(200,291)	(213,553)
<b>Total current liabilities</b>		<b>(200,291)</b>	<b>(213,553)</b>
<b>Net current assets</b>		<b>107,939</b>	<b>93,439</b>
<b>Total assets less current liabilities</b>		<b>231,359</b>	<b>219,059</b>
Creditors: Amounts falling due after more than one year	15	(63,288)	(68,788)
Provisions for liabilities	16	(6,949)	(12,795)
<b>Net assets</b>		<b>161,122</b>	<b>137,476</b>
<b>Equity</b>			
Called up share capital	17	13,000	13,000
Profit and Loss Account		148,122	124,476
<b>Total equity</b>		<b>161,122</b>	<b>137,476</b>

Notes 1-21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 1 March 2022 and were signed on its behalf by:

  
F Harris  
Director

  
P J Evans  
Director

## Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital	Profit and loss reserve	Total equity
	2021 £'000	2021 £'000	2021 £'000
Balance as at 1 January 2021	13,000	124,476	137,476
Profit for the year	-	23,646	23,646
<b>Balance as at 31 December 2021</b>	<b>13,000</b>	<b>148,122</b>	<b>161,122</b>

	Called up share capital	Profit and loss reserve	Total equity
	2020 £'000	2020 £'000	2020 £'000
Balance as at 1 January 2020	13,000	106,408	119,408
Profit for the year	-	18,068	18,068
<b>Balance as at 31 December 2020</b>	<b>13,000</b>	<b>124,476</b>	<b>137,476</b>

Notes 1-21 form part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 December 2021

## 1. Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and the provisions of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) relating to insurance companies, and applicable accounting standards in the United Kingdom. The Company has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective International Financial Reporting Standards ("IFRSs");
- Related party transactions with fellow Bupa Group companies;
- Disclosures in respect of the compensation of key management personnel;
- Comparative period reconciliations for tangible and intangible fixed assets; and
- Disclosures in respect of the requirements of IFRS 7 Financial Instruments: Disclosures.

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

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

### (a) Changes in accounting policies

There have been no changes in accounting policies during the year, the Company has consistently applied its accounting policies to all periods presented in these Financial Statements.

A number of amended standards and interpretations became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

### (b) Going concern

The Directors have conducted an assessment of the Company's going concern status based on its current position and forecast results. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the Annual Report and accounts and in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' Report and Financial Statements.

The going concern assessment has been made with consideration to the principal impacts and risks posed to the Company, including impact of COVID-19. As part of their assessment of the Company's ability to continue as a going concern the Directors looked at the financial performance, capital management, cash flow, solvency and future outlook of the Company.

As part of their assessment, the Directors have given due regard to the liquidity, regulatory capital and the ability of the company to meet obligations over a three-year time horizon in line with our planning cycle. The Company has surplus in excess of regulatory requirements and the Directors have a reasonable expectation that the Company is expected to remain well-capitalised over the Company's three-year planning horizon. Despite ongoing uncertainty with COVID-19, the Directors do not consider that COVID-19 changes the conclusion of the Company's going concern assessment.

### (c) Turnover

Turnover represents the total amount earned by the Company in the ordinary course of business.

Turnover consists of the following revenue streams:

- Income receivable from Bupa Group companies represents amounts earned for the provision of insurance distribution and administrative services. This includes an element relating to a profit share arrangement where variable consideration is recognised to the extent it is highly probable that a significant revenue reversal will not subsequently occur. At each annual reporting period end, there is certainty that reversal will not subsequently occur. Additionally, this represents recharges to non-insurance Bupa Group companies and is recognised as the services are provided.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

- Revenue represents an administrative fee which relates to the Health Trust business for administering trusts set up to provide healthcare funding to specific beneficiaries, usually employees, and is recognised as the performance obligation is satisfied which is considered to be on a time apportionment basis.

### (d) Foreign currencies

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

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

### (e) Financial income and expenses

Financial income comprises interest receivable, recognised in the Profit and Loss Account as it accrues.

Financial expense includes interest payable on borrowings and lease liabilities, recognised in the Profit and Loss Account as it accrues.

Gains and losses on the translation of financial assets and liabilities denominated in foreign currencies are recognised as financial income or expense as appropriate.

### (f) Current and deferred taxation

The charge for taxation is based on the result for the financial year and takes into account deferred taxation.

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.

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

- Provision is made for taxation on gains arising from the fair value adjustment of fixed assets or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Balance Sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the Balance Sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to taxation only where the replacement assets are sold.
- Deferred taxation assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on current taxation rates and laws.

Trading losses surrendered to other Bupa Group subsidiary undertakings are made on a full payment basis.

### (g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and recognised impairment losses. Amortisation is charged to the Profit and Loss Account on a straight-line basis over its expected useful life, as follows:

Computer software	3 to 7 years
-------------------	--------------

Useful lives, amortisation method and residual values are reviewed at each Balance Sheet date.

Impairment reviews are undertaken at each Balance Sheet date where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the Profit and Loss Account to reduce the carrying value to the recoverable amount.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### (h) Leases of property

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to the Profit and Loss Account over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option. The leases currently held by the Company do not contain any extension or terminations options.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restoration costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the contractual lease term.

The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

### (i) Fixtures, fittings and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and recognised impairment losses. Depreciation is charged to the profit or loss on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Fixtures & fittings	3 to 8 years

Useful lives, depreciation method and residual values are reviewed at each Balance Sheet date.

No depreciation is charged on assets in the course of construction. Assets classified as work in progress are reviewed for impairment at each Balance Sheet date or when an indication of impairment arises.

Impairment reviews are undertaken where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the Profit and Loss Account to reduce the carrying value to the recoverable amount.

### (j) Debtors

Debtors are carried at amortised cost less provisions for expected credit losses.

Provision for expected credit losses ("ECL") for non-insurance debtors are measured based on lifetime ECL. Where appropriate, a provision matrix is used to estimate ECL. Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward-looking information is then used to establish the ECL provision for each category.

### (k) Creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

### (l) Provisions for liabilities

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

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### (m) Pensions

#### Defined benefit pension schemes

The ultimate parent company, Bupa Ltd, operates a Group defined benefit pension scheme, The Bupa Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of Bupa Ltd in independently administered funds.

The Company participates in The Bupa Pension Scheme. As no agreement exists to allocate pension scheme assets and liabilities between Bupa Group companies, IAS 19: Employee Benefits permits those Bupa Group companies to account for their pension costs as if the Company participates in a defined contribution pension scheme. Therefore, the cost of the pension contributions made to the scheme are recognised within the Profit and Loss Account.

#### Defined contribution pension schemes

Bupa also operates a defined contribution pension scheme. The Bupa Retirement Savings Plan was in effect from 1 October 2002 to 31 December 2020 and was available to permanent employees of Bupa. The scheme was replaced by the My Bupa LifeSight Plan from 1 January 2021. The assets of the scheme are held separately from those of Bupa in independently administered funds. Contributions to defined contribution pension schemes are recognised as an expense in the Profit and Loss Account as incurred.

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

### (n) Accounting estimates and judgements

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

There are no estimates or assumptions made by management in applying the Company's accounting policies that have a significant effect on the financial statements, or have a significant risk of material adjustment in subsequent periods.

## 2. Turnover

	2021 £'000	2020 £'000
Income received from Bupa Group companies	598,879	598,930
Revenue from administrative services	18,568	15,684
<b>Total</b>	<b>617,447</b>	<b>614,614</b>

All turnover is generated through the provision of administrative services carried out in the UK.

## 3. Net operating expenses

	2021 £'000	2020 £'000
Staff costs	160,321	168,616
Recharges from Bupa Group companies	210,315	194,656
Marketing	25,539	25,039
Commissions payable	-	53
Depreciation of fixtures, fittings and equipment	1,697	1,816
Depreciation of land and building	6,153	5,566
Amortisation of intangible assets	9,251	13,887
Impairment of intangible assets	6,084	989
Net loss on foreign exchange transactions	4,798	577
Other operating expenses	167,335	178,159
<b>Total</b>	<b>591,493</b>	<b>589,358</b>

Other operating expenses includes £105,012k of commission paid on behalf of other group insurers (2020: £102,100k) which is recovered from these companies through recharges and reported within Income received from Bupa Group companies.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### i) Staff costs:

The average monthly number of employees during the year analysed by category was as follows:

	2021	2020
Administration	2,585	2,565
Sales	646	628
<b>Total</b>	<b>3,231</b>	<b>3,193</b>

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	139,684	145,688
Social security costs	12,154	12,768
Other pensions costs	8,483	10,160
<b>Total</b>	<b>160,321</b>	<b>168,616</b>

A number of members of staff of the Company also work for other Bupa Group companies as part of their role.

### Directors' remuneration:

The Directors split their time between the Company and Bupa Insurance Limited. Therefore, emoluments are disclosed in both companies.

	2021 £'000	2020 £'000
Emoluments	357	324
Company contributions to defined contribution pension schemes	1	4
Amount receivable under long-term incentive schemes	137	138
<b>Total</b>	<b>495</b>	<b>466</b>

The emoluments of the Directors are borne entirely by other Bupa Group companies. The table above reflects the value of the qualifying services provided by the Directors to the Company during the year.

There are no Directors who are a member of a Bupa defined benefit pension scheme (2020: None).

The remuneration of the highest paid Director was:

	2021 £'000	2020 £'000
Emoluments	131	120
Company contributions to defined contribution pension schemes	1	1
Account receivable under long-term incentive schemes	70	82
<b>Total</b>	<b>202</b>	<b>203</b>

### 4. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from Group undertakings	23	50
Other interest receivable	160	13
Net gains on foreign exchange transactions	-	545
<b>Total interest receivable and similar income</b>	<b>183</b>	<b>608</b>



## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 5. Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest payable to Group undertakings	167	894
Other interest payable	198	-
Interest payable on lease liabilities	1,889	1,877
Net losses on foreign exchange translations	334	-
<b>Total interest payable and similar charges</b>	<b>2,588</b>	<b>2,771</b>

### 6. Auditors' remuneration

Profit on ordinary activities before taxation is stated after charging:

	2021 £'000	2020 £'000
<b>Fees payable to the Company's auditors</b>	<b>224</b>	<b>239</b>

Fees payable to the Company's auditors represent the amount for the audit of the Company's annual accounts and are exclusive of VAT.

### 7. Taxation on profit on ordinary activities

#### Analysis of taxation charge in the financial year

	2021 £'000	2020 £'000
<b>Current Tax</b>		
UK tax on income for the year	4,158	3,012
UK tax adjustments in respect of prior periods	(516)	4,670
<b>Total current tax</b>	<b>3,642</b>	<b>7,682</b>
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	399	1,795
Adjustments in respect of prior period	155	(2,832)
Changes in tax rates	(4,293)	(1,620)
<b>Total deferred tax</b>	<b>(3,739)</b>	<b>(2,657)</b>
<b>Total tax expense</b>	<b>(97)</b>	<b>5,025</b>

#### Reconciliation of effective tax rate

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

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	23,549	23,093
UK corporation tax rate	19.0%	19.0%
Tax at the UK corporation tax rate	4,474	4,388
<b>Effects of the recurring tax reconciliation items:</b>		
Deductions not allowable for tax purposes	920	419
Non assessable income at concessionary rates	(970)	-
Changes in tax rates	(4,160)	(1,620)
	(4,210)	(1,201)
<b>Effects of non-recurring tax reconciliation items:</b>		
Tax adjustments in respect of prior periods	(361)	1,838
Profit on disposal of property, plant and equipment	-	-
	(361)	1,838
<b>Taxation expense at the effective rate of 0.04% (2020: 21.8%)</b>	<b>(97)</b>	<b>5,025</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

The UK corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. Deferred tax on temporary differences expected to reverse after this date are recognised at 25%.

### 8. Intangible assets

2021	Computer software £'000	Computer software – work in progress £'000	Total £'000
<b>Cost or valuation</b>			
At beginning of year	357,827	31,563	389,390
Additions	103	20,254	20,357
Disposals	(31,555)	-	(31,555)
Write offs		(2,089)	(2,089)
Reclassifications	5,129	(5,129)	-
<b>At end of year</b>	<b>331,504</b>	<b>44,599</b>	<b>376,103</b>

2021	Computer software £'000	Computer software – work in progress £'000	Total £'000
<b>Amortisation and impairment loss</b>			
At beginning of year	(340,717)	-	(340,717)
Disposals	31,555	-	31,555
Impairment loss	(3,995)	-	(3,995)
Charge for year	(9,251)	-	(9,251)
<b>At end of year</b>	<b>(322,408)</b>	<b>-</b>	<b>(322,408)</b>

<b>Net book value at end of year</b>	<b>9,096</b>	<b>44,599</b>	<b>53,695</b>
<b>Net book value at beginning of year</b>	<b>17,110</b>	<b>31,563</b>	<b>48,673</b>

Impairment reviews are undertaken where there are indicators that the carrying value may not be recoverable. Following a review of the intangible assets during the year £6,084k of impairment loss has been recognised in the Profit and Loss Account (2020: £989k) of which £3,680k relates to assets that have been fully impaired as their functionality did not meet necessary requirements.

The remainder of the impairment is related to Software as a Service assets where its functionality did not meet the necessary requirements for recognition based on the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement'.

#### Negative goodwill

Negative goodwill of £241k was recognised on the acquisition of CS Healthcare trade and assets (see note 18) on 1 January 2021. The balance was fully amortised during the year resulting in a balance at the end of the year of £nil.

### 9. Land and buildings

	2021 £'000
<b>Cost or valuation</b>	
At beginning of year	83,371
Remeasurement	(125)
Disposals	(66)
<b>At end of year</b>	<b>83,180</b>

	2020 £'000
<b>Depreciation</b>	
At beginning of year	(10,419)
Disposals	67
Charge for the year	(6,153)
<b>At end of year</b>	<b>(16,505)</b>

<b>Net book value at end of year</b>	<b>66,675</b>
<b>Net book value at beginning of year</b>	<b>72,952</b>

The Company leases several offices and related car parking spaces, which have been recognised as a right-of-use assets.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 10. Fixtures, fittings and equipment

	2021 Computer equipment £'000	2021 Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>			
At beginning of year	5,540	7,925	13,465
Assets acquired through business combinations	216	33	249
Additions	503	-	503
Disposals	(152)	(441)	(593)
<b>At end of year</b>	<b>6,107</b>	<b>7,517</b>	<b>13,624</b>

	2021 Computer equipment £'000	2021 Fixtures and fittings £'000	Total £'000
<b>Depreciation</b>			
At beginning of year	(4,640)	(4,830)	(9,470)
Disposals	151	442	593
Charge to Profit and Loss Account	(950)	(747)	(1,697)
<b>At end of year</b>	<b>(5,439)</b>	<b>(5,135)</b>	<b>(10,574)</b>

<b>Net book value at end of year</b>	<b>668</b>	<b>2,382</b>	<b>3,050</b>
<b>Net book value at beginning of year</b>	<b>900</b>	<b>3,095</b>	<b>3,995</b>

### 11. Debtors: Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed by Group undertakings	123,315	161,257
Prepayments and accrued income	2,619	3,856
Trade debtors	1,328	309
Other debtors	4,155	7,095
<b>Total</b>	<b>131,417</b>	<b>172,517</b>

Trade and other debtors are carried at amortised cost net of provisions for ECL. All trade debtors are classified as receivables under IFRS 15, as a receivable is an entity's right to consideration that is unconditional i.e. only the passage of time is required before payment is due. The ECL provision at 31 December 2021 is £117k (2020: £364k).

### 12. Deferred taxation

	2021 £'000	2020 £'000
At the beginning of the year – net deferred taxation assets	13,594	10,937
Charged to Profit and Loss Account	3,739	2,657
<b>At the end of the period – net deferred taxation assets</b>	<b>17,333</b>	<b>13,594</b>

Net deferred taxation asset is analysed as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	15,797	12,391
Other employee benefits (other than post-employment)	1,174	892
Provisions	362	311
<b>Total</b>	<b>17,333</b>	<b>13,594</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 13. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	49,159	20,345
Restricted access deposits	110,321	100,536
<b>Total</b>	<b>159,480</b>	<b>120,881</b>

The restricted access deposits of £110,321k (2020: £100,536k) relate to claims funds held on behalf of Health Trust customers. These amounts may only be used to discharge those obligations and potential liabilities if and when they crystallise.

### 14. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed to Group undertakings	10,326	10,612
Lease liabilities due within one year	5,503	5,399
Accruals and deferred income	32,430	47,614
Trade creditors	63,560	63,533
PAYE and National Insurance	11,034	10,895
Other creditors	77,438	75,500
<b>Total</b>	<b>200,291</b>	<b>213,553</b>

### 15. Creditors: Amounts falling due after more than one year

Amounts falling due after more than one year is related to property lease liabilities amounting to £63,288k. The table below shows a summary of the total lease liabilities including amounts falling due within one year and after more than one year.

	2021 £'000	2020 £'000
At the beginning of the year	74,187	70,991
Additions	-	7,616
Remeasurement	(125)	-
Interest on lease liabilities	1,840	1,831
Repayments	(7,111)	(6,251)
<b>At end of year</b>	<b>68,791</b>	<b>74,187</b>
<b>Falling due within one year</b>	<b>5,503</b>	<b>5,399</b>
<b>Falling due after more than one year</b>	<b>63,288</b>	<b>68,788</b>

### 16. Provisions for liabilities

	2021 £'000	2020 £'000
At beginning of year	12,795	3,605
Charge for the year	5,220	10,169
Utilisation of provision	(2,888)	(368)
Released in the year	(8,226)	(657)
Interest on obligations	48	46
<b>At end of year</b>	<b>6,949</b>	<b>12,795</b>

Provisions include £nil (2020: £6,314k) relating to ex-gratia refunds to customers and £3,369k (2020: £3,843k) for customer remediation administration provisions for the costs of administering compensation where necessary to ensure that we deliver fair value and good customer outcomes. Due to the nature of the customer remediation provisions, the timing and potential cost is uncertain. Additionally provisions of £2,003k (2020: £1,955k) are held relating to estimates of costs to restore leased properties to their original condition, where the key assumption is the weighted average restoration cost per square foot of £15.00 (2020: £15.00). Due to future potential renewals of leases, timing and potential cost is uncertain.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 17. Called up share capital

	2021 £'000	2020 £'000
<b>Allotted, called up and fully paid</b>		
13,000,000 ordinary shares of £1 each	13,000	13,000

All shares are classified as equity.

### 18. Civil Service Healthcare Society Limited

On 1 January 2021, the Company and Bupa Insurance Limited completed the transfer of the engagements of the Civil Services Healthcare Society Limited ("CS Healthcare") under Part VIII of the Friendly Societies Act 1992. CS Healthcare operated a private medical insurance business, primarily for individuals.

In recent years, CS Healthcare had been impacted by rising healthcare and administration costs and the increased costs of regulatory compliance. CS Healthcare decided to transfer its trade and assets to Bupa in the long-term interest of its members to provide added security, continuity of cover and enhanced benefits.

As part of this transaction, the Company completed the acquisition of the non-insurance trade and assets of CS Healthcare, there was no consideration paid for this transaction with the Company assuming responsibilities for the non-insurance liabilities and obligations of CS Healthcare and receiving the associated assets of CS Healthcare.

The insurance assets and liabilities of CS Healthcare were acquired by Bupa Insurance Limited. The fair value of net assets at the date of acquisition was £241k which resulted in an equivalent gain on bargain purchase. The gain was recorded as negative goodwill in the Balance Sheet and fully amortised during the year. Included in the Profit and Loss Account is revenue of £5,439k and a profit before taxation of £241k in relation to the CS Healthcare business transferred.

The fair value balance sheet acquired on 1 January 2021 is presented below:

	2021 £'000
<b>Assets</b>	
Intangible assets	103
Property, plant and equipment	250
Trade receivables	56
<b>Total assets</b>	<b>409</b>
<b>Liabilities</b>	
Trade and other payables	168
<b>Total liabilities</b>	<b>168</b>
<b>Net assets acquired</b>	<b>241</b>

### 19. Contingent liabilities, guarantees and other financial commitments

#### Contingent liabilities

Under a Bupa Group registration, the Company is jointly and severally liable for Value Added Taxation ("VAT") due by certain other Bupa Group Companies.

The Company has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, regulatory compliance (including data protection) and interpretation of tax law. It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Company.

#### (i) Guarantees

The Company had issued no guarantees at the Balance Sheet date.

#### (ii) Financial commitments

The Company has committed to leases, relating to property, that have not yet commenced to the value of £11,388k at 31 December 2021 (2020: £nil).

## Notes to the Financial Statements (continued)

for the year ended 31 December 2021

### 20. Pensions

#### Defined benefit pension schemes

The Bupa Group operates defined benefit and defined contribution pension schemes for the benefit of employees. The Bupa Pension Scheme is the principal defined benefit pension scheme which provides benefits based on final pensionable salary. Charges made to the Profit and Loss Account of Bupa comprise; the current service cost; net interest; and gains and losses on curtailments.

The Bupa Pension Scheme was closed to new entrants from 1 October 2002 and closed to future accrual on 31 December 2020. Existing current employees who were members of the Bupa Pension Scheme were automatically enrolled into a new defined contribution pension scheme, the My Bupa LifeSight Plan, from 1 January 2021. Under the Bupa Pension Scheme, contributions by employees and the Bupa Group are administered by trustees in funds independent of the Bupa Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pension increases.

An independent actuary performs triennial valuations together with periodic interim reviews. Both triennial and interim valuations use the attained age method, recognising the closure of the scheme to new entrants.

The Bupa Pension Scheme was valued as at 31 December 2021 under International Financial Reporting Standards. This valuation showed a surplus before deferred tax of £540.6m (2020: £546.4m) with assets of £2,410.8m (2020: £2,472.0m) and liabilities of £1,870.2m (2020: £1,925.6m).

There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19, the Company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2021 was £nil (2020: £3.3m).

Details of the latest valuation of the scheme, the main assumptions, and the full disclosure requirements under IAS 19 are disclosed in the Annual Report & Accounts of Bupa Ltd.

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. The last triennial valuation, as at 1 July 2020, showed that the Bupa Pension Scheme was in surplus on its Technical Provisions basis. Contributions by Group companies to this scheme have been made in accordance with the recommendations of the independent scheme actuary. The scheme was also in surplus on the more prudent actuarial basis which the trustees use to set their long-term funding target. As a result, no deficit reduction contributions are currently due. This position could change as a result of future valuations.

### 21. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Bupa Finance plc, a company incorporated in England and Wales, the registered office of which is, 1 Angel Court, London, EC2R 7HJ.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited ("Bupa Ltd"), a company incorporated in England and Wales, registered office is, 1 Angel Court, London, EC2R 7HJ. The consolidated financial statements of Bupa are prepared in accordance with International Financial Reporting Standards as adopted in the UK and are available to the public. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc.

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