



**Half year report
For the six months ended 30 June 2010**

BUPA DELIVERS A ROBUST PERFORMANCE UNDERPINNED BY INTERNATIONAL GROWTH

Bupa, the international healthcare group, today announced its results for the six months ended 30 June 2010 ('the period').

£m	2010	2009	Growth (%)
Revenues	3,713.5	3375.2	10
Surplus before taxation	162.1	163.8	(1)
Underlying surplus before taxation ⁽²⁾	183.6	175.7	5
Net cash generated from operating activities	395.1	328.2	20
Equity attributable to Bupa ⁽¹⁾	4,099.8	3,949.1	4

Financial Highlights

- Revenues up 10% to £3.71bn, driven by organic growth⁽³⁾ of 4% and favourable foreign exchange movements of 6%.
- Underlying surplus before taxation⁽²⁾ up 5% to £183.6m after integration and restructuring costs of £28.0m (HY 2009: £5.7m).
- Surplus before taxation down 1% to £162.1m due to lower gains on return seeking assets and a £10.2m charge on the sale of non-core businesses in Australia.
- Reduction in leverage to 25% (FY 2009: 27%) due to excellent cash flow, up 20% to £395.1m, and non-core business disposal.
- Capital investment of £55.7m (HY 2009: £99.9m) focused on the development of the care homes portfolio, IT systems and other provision assets.

Operational Highlights

Trading conditions in the UK, Spain and US remained challenging whilst Australia and a number of other countries benefited from a more benign environment. Total customer numbers were marginally higher at 10.9m (FY 2009: 10.8m).

- Bupa Australia's health insurance business has continued to grow and has almost completed the integration of MBF. Synergies are ahead of initial expectations and the successful disposal of the non-core MBF life insurance and wealth management businesses took place in June.
- In the UK, Bupa Health and Wellbeing (BHW) delivered productivity improvements and introduced a number of new products as it benefited from recent investment in a new back office administration system.

- Bupa Care Services broadly maintained UK care home occupancy and in light of weak fee increases underpinned profitability through tight control over costs, whilst continuing to invest in the care home estate. Surplus improved in all three of our international care services businesses.
- The Group continued to focus on maximising cash flow and repaying indebtedness and put in place a new £900m bank facility, maturing September 2013. Total borrowings of £1,349.9m were £140.7m lower than at the year end.
- The Group continues to assess the implications of new European insurance regulation (Solvency II) and is making good progress in preparing for the new regime.

Commenting on the results, Ray King, Bupa’s Chief Executive, said:

“The Group delivered a robust performance and increased customer numbers notwithstanding mixed economic conditions in our key markets. The Group has benefitted from its international diversification with underlying surplus increasing by 5%. Our continuing focus on cash flow allowed the Group to continue to invest and repay a significant amount of indebtedness.

“We continue to invest in our businesses to drive future growth, whilst tightly managing costs. In a number of businesses, notably BHW and Health Dialog, we have restructured operations to improve efficiency. In our Australian insurance business, the integration programme is almost complete and we look forward to the launch of a single product suite later this year which should further enhance our competitive position.”

“The UK and US governments started to articulate their plans for reform of their health care systems and we believe that this should offer new opportunities for our businesses in the future.”

For further enquiries:

Bupa	Tom Singer	020 7656 2330
	Group Finance Director	
	Gareth Evans	020 7656 2316
	Group Treasurer	
Brunswick Group	Melissa Suggitt	020 7656 2646
	Head of Corporate	
	Communications	
	Rebecca Shelley	020 7404 5959
	Eilis Murphy	

ABOUT BUPA

Bupa's purpose is to help people lead longer, healthier, happier lives.

A leading international healthcare provider, we offer personal and corporate health insurance, workplace health services and health assessments. We also run care homes for older people, operate hospitals, and provide chronic disease management services.

With no shareholders, we invest our profits to provide more and better healthcare. Apart from providing healthcare funding solutions, we are committed to making quality, patient-centred, affordable healthcare more accessible in the areas of wellness, chronic disease management and ageing.

Employing over 52,000 people, Bupa has operations around the world, principally in the UK, Australia, Spain, New Zealand and the US, as well as Hong Kong, Thailand, Saudi Arabia, India, China and across Latin America.

For more information, visit www.Bupa.com.

INTRODUCTION

Bupa delivered a robust performance in the period, with profitability underpinned by growth in its international insurance and care home businesses. The global economy remains challenging with the UK, US and Spain impacted by ongoing high levels of unemployment. In Australia and a number of other countries economic conditions have been more favourable and the Group has seen continuing good momentum in these markets. In this environment, we have continued to focus on customer service, strengthening our offerings and controlling costs.

Revenues grew 10% to £3.71bn as a result of organic growth and foreign exchange movements, which contributed 4% and 6% respectively.

Group surplus before taxation was down 1% at £162.1m as an increase in surplus generated by business units was offset by lower gains on return seeking assets, integration and restructuring costs and a charge on the sale of non-core businesses. Underlying surplus before taxation⁽²⁾ was up 5% to £183.6m, after integration and restructuring costs of £28.0m, mainly reflecting advances in Bupa Australia, BHW and the Care Services business. A reconciliation of the Group's statutory surplus before taxation to the underlying surplus before taxation is presented in the table below.

	HY 2010 £m	HY 2009 £m	Growth %
Statutory surplus before taxation	162.1	163.8	(1)
Exclude:			
Loss /(Profit) on sale of businesses and assets	9.9	(1.1)	
Amortisation of intangible assets arising on business combinations	17.9	17.5	
Impairment of intangible assets arising on business combinations	4.7	-	
Gain on return seeking assets	(6.5)	(22.8)	
Realised and unrealised foreign exchange (gains)/losses	(2.9)	17.5	
Revaluation (gains)/losses arising on investment property	(1.6)	0.8	
Underlying surplus before taxation⁽²⁾	<u>183.6</u>	<u>175.7</u>	5

At constant exchange and interest rates and after an adjustment to eliminate the impact of restructuring costs in BHW and Health Dialog and integration costs in Bupa Australia, the growth in underlying surplus before taxation⁽²⁾ would have been approximately 12%.

The following pages outline how each of Bupa's three operating divisions have performed during the period.

REVIEW OF OPERATIONS

The Group has reorganised its business into three divisions comprising Europe and North America, International Markets and Care Services.

Europe and North America

Revenues	% of Group Revenues	Surplus
£1,491.6m	40%	£27.3m
HY 2009: £1,487.9m	HY 2009: 44%	HY 2009: £43.1m

Europe and North America incorporates:

- Bupa Health & Wellbeing UK, which includes:
 - The UK's leading provider of health insurance;
 - Bupa Health Assurance ('BHA'), which offers insurance protection products covering life, income protection and critical illness;
 - Bupa Wellness, which provides occupational health services and health assessments, via 47 wellness centres; and
 - Other UK Insurance, which includes Cashplan, Travel and Dental insurance products.
- Bupa's European businesses, which comprise Sanitas, Bupa's Spanish business, providing services that cover many aspects of customers' healthcare needs, including health insurance, hospitals, clinics and wellbeing services for the public and private sectors, and Bupa Scandinavia;
- Health Dialog, a leading provider of care management services, healthcare analytics and decision support, which includes Health Dialog (USA), Bupa Health Dialog (UK) and Health Dialog Espana;
- The Bupa Cromwell Hospital, a leading 126-bed London hospital caring mainly for health insurance, self-pay and international customers.

Overview

The UK and US economies remain challenging in the near term. In addition, the impact of the governments' health agendas in both markets has yet to gain momentum; in the UK, the coalition Government has recently published a White Paper, *Equity and Excellence: Liberating the NHS*, which proposes significant changes to the UK health system, but as yet lacks detail in terms of implementation. In the US, President Obama's health agenda will be implemented over a number of years and we are confident that the reforms will provide good growth opportunities for Health Dialog. The Spanish economy remains under significant pressure, and the impact of the government's deficit reduction package is unclear. However, membership levels in Sanitas are stable due to its highly differentiated and integrated healthcare proposition.

Customer numbers in the insurance businesses were flat and lives served in Health Dialog declined by 6%, compared to the year end position.

Divisional revenues increased by 0.2% as higher revenues in Sanitas and stable revenues in the UK insurance businesses were offset by a decrease in revenues in Health Dialog due to lower customer lives served in the US. Surplus for the division declined by £15.8m as an improvement in profitability in BHW, due to a lower volume of claims, was offset by a slightly lower surplus at Sanitas and a more significant decline in Health Dialog due to rising unemployment in the US adversely impacting investment in disease management by major insurers. BHW and Health Dialog restructured operations at a cost of £6.8m. The performance of both businesses is skewed towards the second half due to either seasonality

or the fact that certain revenues cannot be recognised until later in the year when it is possible to determine whether performance conditions have been met.

Bupa Health & Wellbeing UK

Against a backdrop of tough economic conditions and high unemployment, BHW experienced a small decline of 0.8% in membership numbers compared to the year end position. Revenues were broadly flat and surplus after restructuring costs increased due to lower claims and cost savings which will increase due to headcount reductions following the introduction of a new back office administration system in August 2009.

This new platform will enable the delivery of further efficiency gains and the faster roll out of new products and services. Several successful launches took place, including a new best in class dental product, which is performing above expectations, and an innovative new cash plan product which offers specific cash amounts toward some of the elements of private treatment. Further significant new product launches are planned for the second half of 2010 and 2011.

The quality of the business continues to be recognised by industry awards, including 'Healthcare Provider of the Year' at the Financial Adviser Life and Pensions Awards for the fourth year in succession.

Bupa Health Assurance increased revenues primarily as a result of new Individual Protection business. Surplus declined modestly due to higher claims in the Individual Protection and Group Risk businesses and the impact of a release of claims provisions in the Group Risk business in the comparative period.

Revenues and profitability in Bupa Wellness decreased due to softer demand for personal health assessments; costs are being closely managed.

The Bupa Cromwell Hospital

The Bupa Cromwell Hospital was adversely impacted by low in-patient volumes due to the harsh winter and the impact of volcanic ash which disrupted patients' and consultants' travel arrangements and forced treatment to be delayed. Revenues were unchanged and surplus was down against the comparative period. A new catheterization laboratory was installed which will support our specialism in cardiac care.

Europe (excluding the UK)

In spite of the challenging economic conditions in Spain, with unemployment rising in the first quarter to 20 per cent, Sanitas ended the period with its customer numbers within 1% of the year end position. Revenues increased, although surplus was slightly lower due to the rise in the volume and cost of claims.

The insurance business continues to benefit from its business model that combines insurance and provision assets and offers real differentiation in the market place. Sanitas Hospitales increased its contribution to the overall surplus as it enjoyed very strong occupancy and improvements in productivity. One new millennium centre and five new dental centres are under construction and will open in the second half of 2010 or early in 2011.

Revenues and surplus from Sanitas Health Services grew as a result of increased activity, predominantly dental treatment.

Sanitas opened a public hospital in Manises, Valencia in May 2009 and on 1 May 2010 increased its coverage by incorporating the adjacent population of Mislata into its catchment area, covering just over 44,000 lives. Sanitas has also taken over operations and started refurbishment of another hospital in the region, which, when complete, will provide chronic and psychiatric care.

Health Dialog

The US economic downturn and uncertainty around healthcare reform significantly impacted Health Dialog (USA). As expected, sales of new business and renewals slowed as clients reduced their investment in chronic disease management as unemployment levels remained high. This reduction in revenues, combined with the one-off restructuring costs to realign the cost base with current sales, contributed to a decline in surplus.

Health Dialog continues to develop new products to meet the changing demands of the market. The recent passing of health reform legislation in the US is expected to provide significant business development opportunities and customer interest has picked up in recent months. Opportunities will include serving new customers, such as accountable care organisations, who are expected to enter the market. Business will also be fostered by the emergence of new payment models with Health Dialog helping health plans reduce costs, manage care pathways and improve the quality of treatment.

Health Dialog also continued to progress its international development. In Spain, Sanitas Responde, a health coaching service offered to a pilot group of Sanitas members, continues to grow since its launch last autumn and in Australia the business is planning to roll out its coaching offering initially to Bupa Australia customers and subsequently to other private and public sector customers.

International Markets

Revenues	% of Group Revenues	Surplus
£1,638.7m	44%	£88.7m
HY 2009: £1,335.0m	HY 2009: 40%	HY 2009: £51.3m

Bupa's International Markets division incorporates the following businesses:

- Bupa Australia, a leading health insurer in Australia. The business serves customers through the long established MBF, HBA and Mutual Community brands. As well as its core health insurance offering, Bupa Australia also provides travel, home and car insurance;
- Bupa International, the world's largest provider of expatriate health insurance and supplies individual and group medical cover to customers in over 190 countries;
- Bupa Latin America, based in Miami, delivers international PMI for customers in Latin America and the Caribbean; and
- Our wholly-owned businesses in Hong Kong and Thailand and our minority stakes in Bupa Arabia and Max Bupa.

Overview

The division had a strong first half with increased revenues and surplus due to a strong operating performance from Bupa Australia and favourable foreign exchange movements with the Australian dollar strengthening against Sterling. Customer numbers grew by 2% compared to the year end position, driven mainly by Bupa Arabia (an associate whose customer numbers are included in this segment) and Bupa Australia. The integration of MBF is almost complete ahead of schedule and synergy benefits exceed initial targets.

Bupa Australia

Revenues and surplus increased with membership growth of 1% since year end, improved loss ratios and tight control over back office costs, including the realisation of further synergies. Surplus increased despite integration costs of £10.5m (HY 2009: £5.7m) and a one-off stamp duty levy of £10.7m on the transfer of three separately registered health funds into a single fund.

The business has completed the transfer of data on MBF customers to the Bupa operating platform and is looking to launch a new integrated product suite later this year supported by additional marketing investment. There are good opportunities for further growth in the Australian market due to the strong economy, growing population and fiscal incentives that encourage take up of private health insurance. The business is aiming to broaden its range of services and develop its proposition towards becoming a 'health partner' to our customers.

On 9 June 2010, Bupa Australia sold the life insurance and wealth management businesses acquired as part of the original acquisition of MBF to a third party for £120.7m. These businesses were considered non-core to Bupa Australia. As part of the transaction the business entered into a long term distribution alliance with the purchaser, involving the ongoing sale of life and wealth management products to Bupa Australia's customers, and the sale of private health insurance to the purchaser's customers. The sale resulted in a charge on disposal of £10.2m which is shown within 'Other (charges) / income' in the Income Statement.

Bupa International

Membership declined by 4% due to the slow down in global economic activity and the re-pricing of certain accounts that did not offer appropriate profitability. Revenues and surplus increased due to a combination of price increases and favourable foreign exchange movements, partially offset by higher claims and operating costs.

Bupa International continued to strengthen its distribution, improve its proposition to customers, and exercise tight control over operating costs in an environment where economic slowdown reduced the number of executives undertaking international transfers and seeking insurance cover.

We are delighted that Bupa International has won the Queen's Award for Enterprise for its growth in overseas earnings and commercial success. This is the third time the business has won a Queen's Award for outstanding achievement in international trade, having been a previous winner in 1999 and 2005.

Other Markets

Bupa Latin America improved its revenues and profitability compared to the year end, reflecting lower claims and tight control over operating costs; membership was steady.

Max Bupa, our health insurance joint venture in India, was launched in March initially operating retail offices in six cities with a target of offices in nine cities by the end of the year.

Surplus in Bupa Hong Kong increased modestly due to higher revenues offset partially by increased claims costs.

Care Services

Revenues	% of Group Revenues	Surplus
£583.6m HY 2009: £551.8m	16% HY 2009: 16%	£66.1m HY 2009: £62.0m

Bupa Care Services is a world-leading care homes operator with almost 33,000 beds providing nursing and residential care in the following markets:

- Care Services UK provides care in 304 care homes across the UK;
- Care Services Australia provides aged care in 48 care homes;
- Care Services New Zealand provides care in 45 care homes and 16 retirement villages and provides telecare services via a personal medical alarm network;
- Sanitas Residencial provides care in 41 care homes in Spain; and in addition,
- Bupa Home Healthcare (BHH) is a leading provider in the UK of specialist healthcare services to patients in their homes or in local communities.

Overview

Bupa Care Services continued to tightly manage occupancy and costs to protect profitability, and increased surplus in each of its four country markets.

Overall, occupancy to June, at 88%, was broadly in line with the comparative period. Occupancy remained high in Australia and New Zealand, and increased in Spain as we filled new capacity. Occupancy fell slightly in the UK due to new capacity and weaker demand. With pressure for pay settlements typically running ahead of the rate of increase in fees, the business has focused on achieving reductions in costs.

Surplus increased by 7% (3% at constant exchange rates) driven by the Spanish and New Zealand homes, which benefited from high rates of occupancy. Surplus for the UK homes increased as pricing and occupancy pressures were mitigated by softening energy costs. Surplus for the Australian homes was broadly unchanged in local currency terms as the impact of increased revenues was eroded by higher operating costs.

The business continues to invest in development with care homes opened in the UK and Spain, and extensions opened in Australia and New Zealand during the period, adding a total of 247 new beds to the portfolio. Across the division a number of further developments, including adding over 700 care home beds and independent living units, are under construction and due to open later in 2010 and 2011.

Care Services has continued to demonstrate its market leadership in aged care, maintaining a strong focus on the care of residents with dementia. Bupa's partnership with the Alzheimer's Society in the UK has resulted in the establishment of a national training programme and the appointment of a "Dementia Champion" in each dementia facility. The programme is now being introduced elsewhere and partnerships with dementia organisations have been agreed in Australia, New Zealand and Spain. Trials to reduce anti-psychotic drug usage in care homes have also been introduced.

Bupa Home Healthcare was incorporated into the division during the period as the business sees increasing opportunities to work together with our care homes business in providing services to the NHS. In the run-up to the recent election, activity in the NHS was muted but we are optimistic about the prospects for this business as the new health care agenda takes shape.

Bupa Care Services UK

In the UK, Bupa cares for more than 18,200 residents, over 70% of whom are financed wholly, or in part, by local authorities and primary care trusts (PCTs). The average local authority fee increase across England from 1 April 2010 was just 0.5%, which is well below the mandated 2.2% increase in the minimum wage from October. This unsustainably low level of funding increase reflects the current pressure on public sector budgets in the UK.

The new coalition Government has established a Commission on long term care to consider a range of funding options in England and report within a year. Bupa welcomes the Commission and its focus on finding a new, sustainable funding system that will meet the demands of the growing numbers of older people in England and we will actively contribute to the consultation process.

Occupancy remained above 87% (2009: 88%) and surplus increased modestly as higher revenues were offset by increased wage and administration costs net of a reduction in energy and agency staff costs.

A new home was opened in Southampton in January, a new home at Church Crookham is due to open by the end of the year and a further home in Ashford will be opened at the start of 2011. All three homes will offer specialist dementia care.

Bupa's investment in quality care was recognised by its high resident and relative satisfaction ratings. The Care Quality Commission continued to report Bupa as having the highest ratio of homes rated 'excellent' or 'good' (88%) of all large corporate providers.

For the second successive year Care Services UK was included in the Healthcare 100 – Best Places to Work list, the only large residential aged care provider to gain this recognition.

Bupa Care Services Australia

Bupa Care Services Australia operates in a market with high demand for nursing home places and cares for over 3,700 residents with occupancy levels over 94% (2009: 96%). An increase in revenue was partially offset by higher wage costs, resulting in a small increase in surplus in local currency terms.

A new extension opened in March at Tamworth, New South Wales (NSW) and two new care homes at Berry, NSW and Wodonga, NSW are due to open in 2010 and 2011, respectively.

Bupa Care Services New Zealand

Bupa Care Services New Zealand currently cares for over 2,800 residents as well as operating and developing a number of retirement villages. The business has an ongoing programme of converting residential beds to provide nursing care in order to meet demand and improve average fees per bed.

Occupancy in the care homes improved to over 93% (2009: 92%), which combined with fee increases resulted in higher revenue and surplus. Surplus also increased despite higher employment costs. The contribution from retirement villages increased due to higher unit sales and an increase in the valuation of the village properties.

An extension at Northhaven, Whangaparaoa Peninsula opened in June with one further extension at Broadview, Christchurch and two retirement village developments at Cashmere, Christchurch and Redwood, Rotorua due to open by the end of the year.

Sanitas Residencial

Sanitas Residencial cares for over 4,000 residents in Spain. Revenue and surplus increased due to improving occupancy, despite tough competition for privately funded residents, which put pressure on average fees.

Higher numbers of residents in recently opened homes improved occupancy above 81% (2009: 80%) which, combined with good cost management, increased surplus ahead of the comparative period.

A new home opened in Alameda, Madrid in March.

Bupa Home Healthcare

BHH continued to focus on higher margin business and achieved an increase in patient numbers and revenues. Demand for home infusion, total parenteral nutrition and oncology services rose as patients increasingly opted for treatment in the home. The business increased revenues and maintained its surplus.

The UK Government's desire to see a more patient-centric approach to care delivery is expected to result in greater demand for healthcare to be delivered at home and in the community which will benefit BHH. Increases in 'virtual ward', oncology and care home pharmacy volumes are anticipated to provide benefits in the latter part of the year.

OTHER FINANCIAL INFORMATION

Surplus

The Group's surplus before taxation expense was £162.1m (HY 2009: £163.8m). Detailed information on the divisional results is contained on pages 5 to 11. The remaining significant items that comprise surplus before taxation expense are discussed below, in addition to Bupa's balance sheet, cash flow and funding position.

Other (charges)/income

Net other charges comprised primarily a net loss of £10.2m (HY 2009: income of £1.1m) incurred primarily in relation to the sale of the non-core life insurance (MBF Life) and wealth management (Clearview) businesses in Australia.

Financial income and expenses

Net financial income decreased to £19.2m (HY 2009: £27.6m) mainly due to lower gains of £6.5m (HY 2009: £22.8m) from the return seeking asset portfolio. Excluding the impact of the return seeking asset portfolio, net financial income increased to £12.7m (HY 2009: £4.8m) due to higher interest income, from rises in interest rates in Australia and net cash generation in the period.

At 30 June 2010, the return seeking asset portfolio was valued at £187.2m representing 7% of total cash, cash equivalents and financial investments of £2,836.3m. The total investment portfolio, including return-seeking assets, produced an average return of 3.6% in the period (HY 2009: 5.0%).

Taxation expense

The Group's effective tax rate increased to 42.6% (FY 2009: 27.8%) due to the non deductible loss arising on the disposal of the Australian life insurance and wealth management businesses, and the establishment of a deferred tax liability of £18m due to a

change in tax legislation in New Zealand in respect of the tax allowances for the construction costs of care homes and residential villages. The impact of the non deductible loss and deferred tax liability is expected to be lower on the effective rate of tax for the full year.

Balance sheet

Surplus and movements in total equity

The post-tax surplus for the half year was £90.4 m (HY 2009: £113.8m). Equity attributable to Bupa increased by £150.7m, an increase of 4%, to £4,099.8m (FY 2009: £3949.1m), and included foreign exchange gains of £55.6m (HY 2009: loss of £49.3m) and an actuarial gain on the pension schemes of £6.1m (HY 2009: loss of £54.5m).

Cash and other financial assets

Financial investments, cash and cash equivalents totalled £2,836.3m (FY 2009: £2,683.3m) reflecting ongoing cash generation and the strengthening of the Australian dollar against Sterling.

Interest bearing liabilities

Total interest bearing liabilities of £1,349.9m (FY 2009: £1,490.6m) have decreased mainly due to repayments made under the Group's bank facility using cash generated from trading operations and disposal proceeds.

Assets and liabilities related to life investment contracts

Following the sale of MBF Life and Clearview, the Group's balance sheet no longer includes life investment contract liabilities (FY 2009: £832.0m) and related assets (FY 2009: £830.5m) which related to products that are no longer written by the Australian insurance business.

Cash flow and financing

£m	HY 2010	HY 2009
Net cash generated from operating activities	395.1	328.2
Net cash (used in)/generated from investing activities	(215.9)	41.7
Net cash used in financing activities	(208.2)	(227.9)
Net (decrease)/increase in cash and cash equivalents (excluding foreign exchange)	(29.0)	142.0

Cash generation from operating activities for the year was £395.1m (HY 2009: £328.2m) due to strong cash flows from its underlying businesses offset by £55.9m (HY 2009: £2.0m) of corporation and withholding tax payments.

Cash used in investing activities principally reflects the management decision to invest surplus funds in deposits greater than 90 days, as well as a prudent approach to managing capital expenditure. During the period, investing activities included capital expenditure of £55.7m (HY 2009: £99.9m) and net purchases of financial investments greater than 90 days of £303.0m (HY 2009: net sales of £89.1m); offset by cash received from disposals of £112.1m (HY 2009: £9.0m).

Financing activities utilised £208.2m of cash in the period (HY 2009: £227.9m) primarily for the repayment of £167.7m of borrowings.

At 30 June 2010, Bupa had net cash and cash equivalents of £1,017.4m (HY 2009: £999.9m), an increase of 2%. This amount consists of cash and cash equivalents of £1,050.7m less overdrafts and restricted access deposits of £2.1m and £31.2m, respectively.

BUSINESS RISKS AND UNCERTAINTIES

The nature of the principal risks and uncertainties faced by the Group are unchanged since 31 December 2009 and are set out in the Business Risks and Uncertainties section of the Bupa Annual Report and Accounts, a copy of which can be found on our website www.bupa.com/presentation.

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

- Bupa operates in a number of countries in which the economies are only just moving out of recession and future economic growth is uncertain. This may impact the Group's trading performance in the short to medium term due to the risk of rising unemployment and the impact on spending plans of individual and corporate customers.
- The risk that governments' efforts to reduce fiscal deficits coupled with reform to public health systems makes it harder to sell services to the public sector.
- The risk of deflation that could reduce Bupa's ability to pass on increases in medical costs to customers via higher prices and/or make its services appear less affordable.
- The risk that Solvency II is enacted in a form that is detrimental to the Group in terms of its capital requirement.
- A global health pandemic could undermine the Group's ability to operate its provision businesses that are reliant on the availability of staff to care for residents and patients.

OUTLOOK

Health insurance markets in Europe and North America continue to be affected by high levels of unemployment and UK aged care is being impacted by government funding constraints. Notwithstanding these conditions, Bupa has continued to trade very well due to its balanced international portfolio and strong market positions.

We do not expect trading conditions to change materially in the second half, although continuing economic growth should allow our markets to begin to recover in 2011.

The future for Bupa is bright given the long term trends of ageing populations, the rising burden of chronic disease, advances in medical technology and the desire of individuals to have greater choice in healthcare. Bupa will continue to invest in its strong brands and market positions, capitalising on these growth opportunities and delivering value for our customers.

Ray King, Chief Executive
11 August 2010

A full version of this document is available at:
www.bupa.com/presentation.

The following notes explain the terms used throughout this half year report:

- (1) **Equity attributable to Bupa** at 30 June 2010 is compared to the 31 December 2009 position and not 30 June 2009 position.
- (2) **Underlying surplus before taxation** excludes non-recurring items mainly including the impact of profit/(loss) on sale of businesses, amortisation and impairment of intangible assets arising on business combinations, the performance of return seeking assets, goodwill impairment, property revaluations and realised and unrealised foreign exchange gains and losses.
- (3) **Organic growth** in revenues and surplus excludes the effect of currency translation differences and the impact of acquisitions and disposals.
- (4) **Surplus** referred to in the 'Review of businesses' section is surplus for reportable segments.
- (5) References to HY 2009 refer to the results for the six months ended 30 June 2009. FY 2009 refers to the results for the year ended 31 December 2009.

The British United Provident Association Limited

Condensed consolidated half year financial statements (unaudited)

Six months ended 30 June 2010

Bupa

Condensed consolidated income statement (unaudited)

For the six months ended 30 June 2010

	Notes	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Revenues				
Gross insurance premiums		2,936.6	2,642.9	5,443.5
Premiums ceded to reinsurers		(34.3)	(38.7)	(83.9)
Net insurance premiums earned		2,902.3	2,604.2	5,359.6
Revenues from life investment contracts		7.8	7.0	15.4
Revenues from service contracts		1.8	3.1	4.3
Care, health and other revenues		801.6	760.9	1,562.1
Total revenues	5	3,713.5	3,375.2	6,941.4
Claims and expenses				
Insurance claims incurred		(2,302.7)	(2,073.7)	(4,222.4)
Reinsurers' share of claims incurred		34.8	28.3	61.8
Net insurance claims incurred		(2,267.9)	(2,045.4)	(4,160.6)
Decrease/(increase) in fair value of life investment contract liabilities		10.0	(9.6)	(96.6)
(Loss)/return on financial investments backing life investment contract liabilities	13	(10.0)	9.6	96.6
Share of post-taxation results of equity accounted investments		(3.4)	(0.2)	2.8
Other operating expenses		(1,284.7)	(1,194.5)	(2,406.5)
Impairment of intangible assets arising on business combinations	5	(4.7)	-	(11.7)
Other (charges)/income	6	(9.9)	1.1	2.4
Total claims and expenses		(3,570.6)	(3,239.0)	(6,573.6)
Surplus before impairment of goodwill, impairment of intangible assets arising on business combinations, other (charges)/income, and financial income and expenses	5	157.5	135.1	377.1
Impairment of intangible assets arising on business combinations		(4.7)	-	(11.7)
Other (charges)/income		(9.9)	1.1	2.4
Surplus before financial income and expenses		142.9	136.2	367.8
Financial income and expenses				
Financial income	7	55.6	58.8	116.2
Financial expenses	8	(36.4)	(31.2)	(67.5)
		19.2	27.6	48.7
Surplus before taxation expense	5	162.1	163.8	416.5
Taxation expense	9	(69.2)	(48.4)	(115.7)
Surplus for the financial period		92.9	115.4	300.8
Attributable to:				
Bupa		90.4	113.8	288.9
Non-controlling interests		2.5	1.6	11.9
		92.9	115.4	300.8

Bupa**Condensed consolidated statement of comprehensive income (unaudited)**

For the six months ended 30 June 2010

	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Surplus for the period	92.9	115.4	300.8
Other comprehensive income/(expense)			
Unrealised deficit on revaluation of property	-	-	(44.9)
Actuarial gain/(loss) on pension schemes	8.4	(71.3)	(132.2)
Realisation of foreign exchange on disposal of overseas subsidiary companies	2.4	-	(2.2)
Foreign exchange translation differences on goodwill	50.4	(27.1)	114.8
Other foreign exchange translation differences	14.7	(38.7)	142.1
Net (loss)/gain on hedge of net investment in overseas subsidiary companies	(11.8)	13.9	(57.7)
Realisation of cash flow hedge on disposal of subsidiary companies	(0.9)	-	-
Change in fair value of underlying derivative of cash flow hedge	(1.2)	(2.3)	(2.8)
Disposal of subsidiary companies	0.1	-	-
Other movements in non-controlling interests	(7.1)	-	-
Taxation (charge)/credit on income and expenses recognised directly in other comprehensive income	(1.0)	16.0	52.0
Other comprehensive income/(expense) for the period, net of taxation	54.0	(109.5)	69.1
Total comprehensive income for the period	146.9	5.9	369.9
Attributable to:			
Bupa	150.7	8.9	361.6
Non-controlling interests	(3.8)	(3.0)	8.3
Total comprehensive income for the period	146.9	5.9	369.9

Bupa

Condensed consolidated balance sheet (unaudited)

As at 30 June 2010

	Notes	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Non-current assets				
Intangible assets	10	2,589.1	2,424.1	2,590.4
Property, plant and equipment	11	2,132.9	2,143.5	2,146.8
Investment property		110.2	93.2	104.7
Equity accounted investments		38.3	29.4	38.4
Financial investments	12	748.8	804.2	541.9
Assets arising from insurance business	14	106.3	102.8	86.9
Deferred taxation assets		13.1	-	13.2
Other receivables		72.2	68.9	52.9
Post employment benefit net assets	19	35.0	49.0	25.1
		5,845.9	5,715.1	5,600.3
Current assets				
Financial investments	12	1,036.8	769.6	1,083.1
Assets backing life investment contract liabilities	13	-	673.7	830.5
Inventories		17.9	14.2	17.0
Assets arising from insurance business	14	946.3	914.6	833.9
Trade and other receivables		387.2	353.0	383.0
Assets held for sale		-	127.1	-
Cash and cash equivalents	16	1,050.7	1,030.5	1,058.3
		3,438.9	3,882.7	4,205.8
Total assets		9,284.8	9,597.8	9,806.1
Non-current liabilities				
Subordinated liabilities	17	(374.9)	(349.6)	(356.5)
Other interest bearing liabilities	18	(936.4)	(1,229.7)	(1,106.4)
Provisions under insurance contracts issued		(140.0)	(99.5)	(93.8)
Post employment benefit net liabilities	19	(59.6)	(53.5)	(60.9)
Provisions for liabilities and charges		(34.1)	(30.2)	(33.9)
Deferred taxation liabilities		(215.7)	(238.7)	(187.2)
Trade and other payables		(15.1)	(57.7)	(52.8)
		(1,775.8)	(2,058.9)	(1,891.5)
Current liabilities				
Subordinated liabilities	17	(16.2)	(16.2)	(5.9)
Other interest bearing liabilities	18	(22.4)	(9.5)	(21.8)
Provisions under insurance contracts issued		(2,287.6)	(2,158.3)	(1,996.3)
Other liabilities under insurance contracts issued		(59.8)	(49.2)	(32.8)
Life investment contract liabilities	13	-	(672.8)	(832.0)
Provisions for liabilities and charges		(34.4)	(28.1)	(25.8)
Current taxation liabilities		(134.0)	(127.7)	(155.9)
Trade and other payables		(827.7)	(749.6)	(858.2)
Liabilities associated with assets held for sale		-	(97.1)	-
		(3,382.1)	(3,908.5)	(3,928.7)
Total liabilities		(5,157.9)	(5,967.4)	(5,820.2)
Net assets		4,126.9	3,630.4	3,985.9
Equity				
Property revaluation reserve		594.1	631.4	596.7
Income and expenditure reserve		3,085.6	2,847.4	2,989.1
Cash flow hedge reserve		28.3	29.8	29.7
Foreign exchange translation reserve		391.8	87.8	333.6
Equity attributable to Bupa		4,099.8	3,596.4	3,949.1
Equity attributable to non-controlling interests		27.1	34.0	36.8
Total equity		4,126.9	3,630.4	3,985.9

Bupa

Condensed consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2010

	Notes	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Operating activities				
Surplus before taxation expense		162.1	163.8	416.5
<i>Adjustments for:</i>				
Financial income	7	(55.6)	(58.8)	(116.2)
Financial expenses	8	36.4	31.2	67.5
(Decrease)/increase in fair value of life investment contract liabilities		(10.0)	9.6	96.6
Loss/(return) on financial investments backing life investment contract liabilities	13	10.0	(9.6)	(96.6)
Net loss on foreign exchange transactions		3.3	15.7	4.8
Depreciation	11	48.8	47.5	99.0
Amortisation and impairment	10	45.7	33.5	94.3
Net loss on disposal of property, plant and equipment	6	-	-	1.9
Deficit on revaluation of property	6	-	-	15.7
Net loss on sale of equity accounted investment	6	-	-	0.3
Net loss/(gain) on sale of business	6,15	9.9	(1.1)	(20.3)
Operating cash flow before changes in working capital and provisions		250.6	231.8	563.5
<i>Changes in working capital and provisions:</i>				
Increase in provisions under insurance contracts issued		290.0	286.9	59.0
Increase in other liabilities under insurance contracts issued		28.8	21.2	3.1
Increase/decrease in net pension asset/liability		(2.7)	(3.5)	(32.7)
Increase in provisions for liabilities and charges		8.4	9.9	6.7
Increase in assets under insurance contracts issued		(125.1)	(146.5)	(34.1)
Increase in trade and other receivables		(16.6)	(51.5)	(31.2)
Increase in inventories		(1.4)	(2.1)	(4.7)
Increase/(decrease) in trade and other payables		3.8	(23.5)	38.9
Net withdrawals from life investment contracts liabilities		(21.8)	(22.8)	(39.7)
Net proceeds from sale of financial investments backing life investment contract liabilities		37.0	17.4	56.4
Cash generated from operations		451.0	317.3	585.2
Income taxation paid		(55.9)	(2.0)	(75.2)
Decrease in cash held in restricted access deposits	16	-	12.9	12.3
Net cash generated from operating activities		395.1	328.2	522.3
Cash flows from investing activities				
Acquisition of joint ventures and associates		(1.4)	-	(5.5)
Disposal of subsidiary companies, net of cash disposed of	15	112.1	9.0	(25.5)
Disposal of joint ventures and associates		-	-	0.4
Purchase of intangible assets		(12.3)	(35.8)	(72.3)
Purchase of property, plant and equipment		(43.4)	(64.1)	(124.8)
Proceeds from sale of property, plant and equipment		0.9	-	2.7
Purchase of investment property		(2.2)	(2.9)	(4.0)
Proceeds from sale of investment property		-	1.3	1.3
Purchase of financial investments, excluding deposits with credit institutions		(191.8)	(130.5)	(1,005.2)
Proceeds from sale of financial investments, excluding deposits with credit institutions		151.6	77.0	817.7
Net (investment into)/withdrawal from deposits with credit institutions		(262.8)	142.6	312.0
Interest received		33.4	45.1	68.3
Net cash (used in)/generated from investing activities		(215.9)	41.7	(34.9)
Cash flows from financing activities				
Proceeds from issue of interest bearing liabilities		0.3	19.0	376.1
Repayment of interest bearing liabilities		(167.7)	(202.1)	(680.7)
Interest paid		(30.4)	(33.2)	(59.1)
Payment of capital redemption to non-controlling interest		(7.1)	-	-
Receipts from / (payments for) hedging instruments		2.6	(11.6)	(39.6)
Dividends paid to non-controlling interests		(5.9)	-	(8.5)
Net cash used in financing activities		(208.2)	(227.9)	(411.8)
Net (decrease)/increase in cash and cash equivalents		(29.0)	142.0	75.6
Cash and cash equivalents at beginning of period		1,026.4	875.1	875.1
Effect of exchange rate changes		20.0	(17.2)	47.6
Cash and cash equivalents reclassified from assets held for sale		-	-	28.1
Cash and cash equivalents at end of period	16	1,017.4	999.9	1,026.4

Bupa
Condensed consolidated statement of changes in equity (unaudited)
For the six months ended 30 June 2010

	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Non- controlling interests £m	Total equity £m
For the six months ended 30 June 2010							
At beginning of period	596.7	2,989.1	29.7	333.6	3,949.1	36.8	3,985.9
Retained surplus for the period	-	90.4	-	-	90.4	2.5	92.9
Other comprehensive income/(expense)							
Actuarial gain on pension schemes	-	8.4	-	-	8.4	-	8.4
Realisation of foreign exchange on disposal of overseas subsidiary companies	-	-	-	2.4	2.4	-	2.4
Foreign exchange translation differences on goodwill	-	-	-	50.4	50.4	-	50.4
Other foreign exchange translation differences	(2.6)	-	-	16.2	13.6	1.1	14.7
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(11.8)	(11.8)	-	(11.8)
Realisation of cash flow hedge on disposal of subsidiary companies	-	-	(0.9)	-	(0.9)	-	(0.9)
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.7)	-	(0.7)	(0.5)	(1.2)
Disposal of subsidiary companies	-	-	-	-	-	0.1	0.1
Other movements in non-controlling interests	-	-	-	-	-	(7.1)	(7.1)
Taxation (charge)/credit on income and expense recognised directly in other comprehensive income	-	(2.3)	0.2	1.0	(1.1)	0.1	(1.0)
Other comprehensive income/(expense) for the period, net of taxation	(2.6)	6.1	(1.4)	58.2	60.3	(6.3)	54.0
Total comprehensive income/(expense) for the period	(2.6)	96.5	(1.4)	58.2	150.7	(3.8)	146.9
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(5.9)	(5.9)
Total contributions to non-controlling interests for the period	-	-	-	-	-	(5.9)	(5.9)
At end of period	594.1	3,085.6	28.3	391.8	4,099.8	27.1	4,126.9
For the six months ended 30 June 2009							
At beginning of period	636.5	2,795.2	30.9	124.9	3,587.5	37.0	3,624.5
Retained surplus for the period	-	113.8	-	-	113.8	1.6	115.4
Other comprehensive income/(expense)							
Actuarial loss on pension schemes	-	(71.3)	-	-	(71.3)	-	(71.3)
Foreign exchange translation differences on goodwill	-	-	-	(27.1)	(27.1)	-	(27.1)
Other foreign exchange translation differences	(4.5)	-	-	(30.3)	(34.8)	(3.9)	(38.7)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	13.9	13.9	-	13.9
Change in fair value of underlying derivative of cash flow hedge	-	-	(1.6)	-	(1.6)	(0.7)	(2.3)
Transfer between reserves	(0.1)	(7.6)	-	7.7	-	-	-
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	-	16.8	0.5	(1.3)	16.0	-	16.0
Other comprehensive income/(expense) for the period, net of taxation	(4.6)	(62.1)	(1.1)	(37.1)	(104.9)	(4.6)	(109.5)
Realised revaluation surplus on disposal of subsidiary companies	(0.5)	0.5	-	-	-	-	-
Total comprehensive income/(expense) for the period	(5.1)	52.2	(1.1)	(37.1)	8.9	(3.0)	5.9
At end of period	631.4	2,847.4	29.8	87.8	3,596.4	34.0	3,630.4
For the year ended 31 December 2009							
At beginning of year	636.5	2,795.2	30.9	124.9	3,587.5	37.0	3,624.5
Retained surplus for the financial year	-	288.9	-	-	288.9	11.9	300.8
Other comprehensive income/(expense)							
Unrealised deficit on revaluation of property	(44.9)	-	-	-	(44.9)	-	(44.9)
Actuarial loss on pension schemes	-	(132.2)	-	-	(132.2)	-	(132.2)
Realisation of foreign exchange on disposal of overseas subsidiary companies	-	-	-	(2.2)	(2.2)	-	(2.2)
Foreign exchange translation differences on goodwill	-	-	-	114.8	114.8	-	114.8
Other foreign exchange translation differences	(3.0)	-	-	147.9	144.9	(2.8)	142.1
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(57.7)	(57.7)	-	(57.7)
Change in fair value of underlying derivative of cash flow hedge	-	-	(1.7)	-	(1.7)	(1.1)	(2.8)
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	8.7	36.6	0.5	5.9	51.7	0.3	52.0
Other comprehensive income/(expense) for the year, net of taxation	(39.2)	(95.6)	(1.2)	208.7	72.7	(3.6)	69.1
Realised revaluation surplus on disposal of subsidiary companies	(0.6)	0.6	-	-	-	-	-
Total comprehensive income/(expense) for the year	(39.8)	193.9	(1.2)	208.7	361.6	8.3	369.9
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(8.5)	(8.5)
Total contributions to non-controlling interests for the year	-	-	-	-	-	(8.5)	(8.5)
At end of year	596.7	2,989.1	29.7	333.6	3,949.1	36.8	3,985.9

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

1 Financial information and basis of preparation

The British United Provident Association (the "Company") is a company incorporated in England and Wales. The condensed consolidated half year financial statements of the Company as at and for the six months ended 30 June 2010 comprise those of the Company and its subsidiary companies (together referred to as the "Group").

These condensed consolidated half year financial statements were approved by a duly appointed and authorised committee of the Board of Directors of The British United Provident Association Limited (Bupa) on 10 August 2010.

These condensed consolidated financial statements for the half year ended 30 June 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34: *Interim Financial Reporting*, as adopted by the European Union ('EU') and should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

The comparative figures for the financial year ended 31 December 2009 are consistent with the Group's annual financial statements with the exception of the segmental information which has been re-presented following a change in the Group's reportable segments. The annual financial statements for the financial year ended 31 December 2009 have been reported on by the Company's auditors, KPMG Audit Plc, and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those used in preparing the annual financial statements for the year ended 31 December 2009, and as described in those annual financial statements.

The following new standards, amendments to standards and interpretations have been adopted by Bupa for the first time for the financial period ended 30 June 2010:

- International Financial Reporting Standard 3: Business Combinations (revised) (IFRS 3) is applicable for financial periods beginning on or after 1 July 2009, therefore the Group has applied IFRS 3 (revised) to all business combinations from 1 January 2010. The revised standard requires that the acquisition method continues to be applied to business combinations, with some significant changes. All transaction costs must be expensed through the income statement. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement. There is a choice on a transaction by transaction basis to measure the non-controlling interest either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of identifiable net assets ('partial goodwill method').
- International Accounting Standard 27 (revised): *Consolidated and separate financial statements* (IAS 27) is applicable for financial periods beginning on or after 1 July 2009, therefore the Group has applied IAS 27 (revised) to transactions with non-controlling interests from 1 January 2010. It requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Therefore, those transactions with non-controlling interests will no longer result in goodwill, nor gains and losses in the income statement. Where control is lost, any remaining interest in the entity is required to be re-measured to fair value and any resulting gain or loss recognised in the income statement.
- International Accounting Standard 39: *Financial Instruments: Recognition and Measurement* (IAS 39) has been amended to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment prohibits designating inflation as a hedged component of a fixed rate debt. It also prohibits including time value in the one sided hedged risk when designating options as hedges. This amendment is applicable for financial periods beginning on or after 1 July 2009. The amendment has no effect on the financial position nor performance of the Group.
- IFRIC 16: *Hedges of a net investment in a foreign operation* is effective for financial periods beginning on or after 1 July 2009. The interpretation applies to entities that hedge the foreign currency risk arising on its net investment in foreign operations and wish this to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 does not permit hedge accounting on foreign exchange differences arising between the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. Rather, when hedging a net investment in a foreign operation, only the foreign exchange differences arising between the functional currency of the operation and the functional currency of any parent entity may qualify for hedge accounting. Bupa hedges foreign currency risk arising from its net investments, and already complies with the guidance in IFRIC 16, hence the adoption of IFRIC 16 will have no impact on the Group's financial statements.
- IFRIC 18: *Transfers of assets from customers* is effective for financial periods beginning on or after 1 November 2009 and clarifies how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation is applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. The interpretation has no effect on the financial position nor performance of the Group.

3 Accounting estimates and judgements

The preparation of the condensed consolidated half year financial statements requires the use of certain accounting estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2009.

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

4 Re-presentation of 2009 financial information

Segmental disclosures

Following the change in the divisional structure of the Group in 2010, the segmental disclosures for the comparative periods have been re-presented based on the new divisional structure. The Group reorganisation has no effect on amounts presented on the face of the income statement, but does impact on the segmental disclosures. The new segments reported for the first time in the Segmental analysis information (note 5) are: Europe and North America, International Markets and Care Services.

5 Segmental information

The Group has three reportable segments which are defined by the different products and services they provide and the geographic areas in which they operate:

- Europe and North America
 - provision of health insurance, life assurance and related products sold in the domestic markets within UK and Europe;
 - provision of care management and analytic services;
 - management and operation of a private London hospital, The Bupa Cromwell Hospital, providing medical and ancillary services to patients.
- International Markets
 - provision of health insurance, life assurance, life investment contracts and related products sold in the international expatriate market and domestic markets in the Middle East, Latin America and Asia Pacific.
- Care Services
 - provision of nursing, residential and respite care within the UK, Spain, Australia and New Zealand;
 - provision of home healthcare products and services within the UK.

These reportable segments reflect the management structure used by management to monitor the results of the business and to assess performance and make decisions about the allocation of resources. The accounting policies of the reportable segments are the same as those for the Group as a whole. Any transactions between business segments are on commercial terms. Segmental performance is assessed based on surplus before share of post-tax results of equity accounted investments, amortisation of intangible assets arising on business combinations, impairment of goodwill, impairment of intangible assets arising on business combinations, other charges and income, financial income and expenses, taxation expense and non-controlling equity interests. The total surplus of the reportable segments is reconciled below to surplus before taxation expense in the consolidated income statement. Financial income and expenses and taxation expense are reported and monitored on a Group basis and are not attributed to individual segments.

5 Segmental information (continued)

For the six months ended 30 June 2010	Europe and North America £m	International Markets £m	Care Services £m	Total £m
(i) Revenues				
Total revenues for reportable segments	1,495.7	1,638.7	583.8	3,718.2
Inter segment elimination	(4.1)	-	(0.2)	(4.3)
External revenues for reportable segments	1,491.6	1,638.7	583.6	3,713.9
Net reclassifications to other expenses or financial income and expenses				(0.5)
Unallocated central revenues				0.1
Consolidated total revenues				3,713.5
(ii) Segment result				
Surplus for reportable segments	27.3	88.7	66.1	182.1
Share of post taxation results of equity accounted investments	(0.3)	(3.1)	-	(3.4)
Amortisation of other intangible assets arising on business combinations	(4.4)	(10.9)	(2.6)	(17.9)
	22.6	74.7	63.5	160.8
Reclassification to financial income and expenses				(5.0)
Unallocated central income				1.7
Surplus*				157.5
Impairment of other intangible assets arising on business combinations	-	(4.7)	-	(4.7)
Other (charges)/income				(9.9)
Surplus before financial income and expenses				142.9
Financial income and expenses				19.2
	22.6	70.0	63.5	162.1
Consolidated surplus before taxation expense				162.1
For the six months ended 30 June 2009 (restated)				
(i) Revenues				
Total revenues for reportable segments	1,491.3	1,335.0	551.9	3,378.2
Inter segment elimination	(3.4)	-	(0.1)	(3.5)
External revenues for reportable segments	1,487.9	1,335.0	551.8	3,374.7
Net reclassifications from other expenses or financial income and expenses				0.2
Unallocated central revenues				0.3
Consolidated total revenues				3,375.2
(ii) Segment result				
Surplus for reportable segments	43.1	51.3	62.0	156.4
Share of post taxation results of equity accounted investments	-	(0.2)	-	(0.2)
Amortisation of other intangible assets arising on business combinations	(4.6)	(9.8)	(3.1)	(17.5)
	38.5	41.3	58.9	138.7
Reclassification to financial income and expenses				(2.5)
Unallocated central income				(1.1)
Surplus*				135.1
Other income/(charges)				1.1
Surplus before financial income and expenses				136.2
Financial income and expenses				27.6
	38.5	41.3	58.9	163.8
Consolidated surplus before taxation expense				163.8
For the year ended 31 December 2009 (restated)				
(i) Revenues				
Total revenues for reportable segments	2,981.8	2,831.4	1,134.6	6,947.8
Inter segment elimination	(6.6)	-	(0.3)	(6.9)
External revenues for reportable segments	2,975.2	2,831.4	1,134.3	6,940.9
Net reclassifications to other expenses or financial income and expenses				(0.1)
Unallocated central revenues				0.6
Consolidated total revenues				6,941.4
(ii) Segment result				
Surplus for reportable segments	102.6	166.5	138.7	407.8
Share of post taxation results of equity accounted investments	-	2.8	-	2.8
Amortisation of other intangible assets arising on business combinations	(8.7)	(20.2)	(6.0)	(34.9)
	93.9	149.1	132.7	375.7
Reclassification to financial income and expenses				(6.8)
Unallocated central income				8.2
Surplus*				377.1
Impairment of other intangible assets arising on business combinations	-	-	(11.7)	(11.7)
Other income/(charges)				2.4
Surplus before financial income and expenses				367.8
Financial income and expenses				48.7
	93.9	149.1	121.0	416.5
Consolidated surplus before taxation expense				416.5

* Surplus before impairment of goodwill, impairment of other intangible assets arising on business combinations, other (charges)/income, and financial income and expenses.

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

6 Other (charges)/income

	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Net (loss)/gain on sale of business	(9.9)	1.1	20.3
Net loss on sale of equity accounted investment	-	-	(0.3)
Deficit on revaluation of property	-	-	(15.7)
Net loss on disposal of property, plant and equipment	-	-	(1.9)
Total other (charges)/income	(9.9)	1.1	2.4

7 Financial income

	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Interest income			
Investments designated at fair value through profit or loss	3.1	1.0	3.3
Loans and receivables	31.1	34.3	61.3
Investments held to maturity	5.1	3.5	7.0
Net realised gains on financial investments designated at fair value through profit or loss	-	0.8	14.5
Net increase/(decrease) in fair value			
Investments designated at fair value through profit or loss	8.8	24.9	41.7
Investment property	1.6	-	(0.5)
Net foreign exchange gain/(loss)	5.9	(5.7)	(11.1)
Total financial income	55.6	58.8	116.2

Included within financial income is a net gain, after hedging, on the Group's return seeking asset portfolio of £6.5m (HY 2009: net gain of £22.8m; FY 2009: net gain of £52.2m).

8 Financial expenses

	For six months ended 30 June 2010 £m	For six months ended 30 June 2009 £m	For year ended 31 December 2009 £m
Interest expense on financial liabilities at amortised cost	35.8	30.7	66.1
Finance charges in respect of finance leases	0.1	0.1	0.2
Other financial expenses	0.5	0.4	1.2
Total financial expenses	36.4	31.2	67.5

9 Taxation expense

The effective tax rate on surplus before taxation expense for the six months ended 30 June 2010 is 42.6% (HY 2009: 29.6%; FY 2009: 27.8%). The rate is higher than the UK corporation tax rate of 28% mainly due to it being adversely affected by the non-deductible loss on disposal of the MBF Life and ClearView businesses and the deferred tax liability arising as a result of change in tax law in New Zealand. Furthermore, the current period effective rate is also higher than the rate for the year ended 31 December 2009 due to the tax charge for the previous year benefitting from tax savings recognised in that year.

Bupa**Notes to the condensed consolidated financial statements (unaudited)**

For the six months ended 30 June 2010

10 Intangible assets

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Net book value at beginning of period	2,590.4	2,467.4	2,467.4
Additions	12.3	35.8	72.3
Amortisation for the period	(41.0)	(33.5)	(75.0)
Impairment loss	(4.7)	-	(19.3)
Transfer to property, plant and equipment	-	(0.1)	(1.1)
Transfer from assets held for sale	-	0.1	-
Disposals of subsidiary companies	(34.0)	-	-
Disposals	-	-	(0.8)
Foreign exchange	66.1	(45.6)	146.9
Net book value at end of period	2,589.1	2,424.1	2,590.4

The net book value of intangible assets comprises:

Goodwill	1,879.1	1,701.3	1,843.2
Computer software	221.7	227.6	231.5
Customer relationships	246.7	236.4	249.3
Other	241.6	258.8	266.4
	2,589.1	2,424.1	2,590.4

Intangible assets of £2,589.1m (HY 2009: £2,424.1m; FY 2009: £2,590.4m) includes £529.6m (HY 2009: £537.7m; FY 2009: £556.4m) which is attributable to intangible assets arising on business combinations as follows:

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Customer relationships	246.7	236.4	249.3
Bed licences (within Bupa Care Services Australia)	102.1	88.1	99.8
Brands and trademarks	61.8	56.0	61.2
Licences to operate care homes	51.8	67.2	55.4
Technology and databases	41.3	42.5	40.7
Present valuation of acquired in-force business	1.6	18.6	20.0
Distribution networks	12.4	18.0	18.0
Leases	11.9	10.7	11.9
Non-compete agreements	-	0.2	0.1
	529.6	537.7	556.4

Goodwill impairment

Goodwill is tested at least annually for impairment in accordance with International Accounting Standard 36: *Impairment of assets* (IAS 36) and International Accounting Standard 38: *Intangible assets* (IAS 38). Impairment testing was last performed as at 31 December 2009. As required by International Accounting Standard 34: *Interim financial reporting* (IAS 34), a review for indicators of impairment of goodwill was carried out as at 30 June 2010 which identified that no impairment indicators were present.

11 Property, plant and equipment

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Net book value at beginning of period	2,146.8	2,176.3	2,176.3
Additions	43.0	59.2	119.6
Depreciation charge for the period	(48.8)	(47.5)	(99.0)
Transfer from/(to) investment properties	0.3	(6.1)	(6.4)
Transfer from intangible assets	-	0.1	1.1
Disposal of subsidiary companies	(0.1)	(8.5)	(8.4)
Disposals	(0.9)	-	(4.6)
Revaluations	-	-	(61.0)
Foreign exchange	(7.4)	(30.0)	29.2
Net book value at end of period	2,132.9	2,143.5	2,146.8

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

12 Financial investments

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Non-current			
Designated at fair value through profit or loss			
Debt securities - government gilts	69.6	35.0	66.1
Debt securities - corporate bonds	94.2	91.4	122.7
Shares and other variable yield securities	102.8	91.8	0.1
Held to maturity			
Medium term notes	104.1	207.7	122.9
Loans and receivables			
Debt securities - corporate bonds	67.3	64.1	65.6
Deposits with credit institutions	310.8	314.2	164.5
	748.8	804.2	541.9
Current			
Designated at fair value through profit or loss			
Debt securities - government gilts	6.8	7.5	87.8
Debt securities - corporate bonds	-	7.2	-
Shares and other variable yield securities	20.9	118.0	131.3
Held to maturity			
Medium term notes	259.5	44.7	259.3
Loans and receivables			
Reverse repo securities	214.7	191.7	191.8
Deposits with credit institutions	534.9	400.5	410.2
Property trusts	-	-	2.7
	1,036.8	769.6	1,083.1
Total financial investments	1,785.6	1,573.8	1,625.0

Included within current financial investments is £nil (HY 2009: £72.8m, FY 2009: £92.4m), which supports the liability to external unit trust holders in the MBF Life business.

13 Life investment contracts

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
(Loss)/return on financial investments backing investment contract liabilities			
Distribution income	8.7	6.7	21.8
Net (decrease)/increase in fair value			
Investments designated at fair value through profit or loss	(18.7)	2.9	74.8
Total (loss)/return on financial investments backing life investment contract liabilities	(10.0)	9.6	96.6
Assets backing life investment contract liabilities			
Current			
Financial Investments			
Designated at fair value through profit or loss			
Shares and other variable yield securities	-	121.5	415.1
Debt securities	-	267.9	374.5
Property trusts	-	277.3	36.3
Total financial investments backing life investment contract liabilities	-	666.7	825.9
Net other assets backing life investment contract liabilities	-	7.0	4.6
Assets backing life investment contract liabilities	-	673.7	830.5
Life investment contract liabilities	-	(672.8)	(832.0)

14 Assets arising from insurance business

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Non-current			
Insurance debtors	0.1	3.2	-
Reinsurers' share of insurance provisions	60.0	55.2	56.0
Deferred acquisition costs	46.2	44.4	30.9
	106.3	102.8	86.9
Current			
Insurance debtors	712.4	710.9	626.3
Reinsurers' share of insurance provisions	34.5	27.4	25.7
Deferred acquisition costs	113.3	108.5	108.4
Medicare rebate	66.4	53.2	57.6
Risk Equalisation Trust Fund recoveries	19.7	14.6	15.9
	946.3	914.6	833.9
Total assets arising from insurance business	1,052.6	1,017.4	920.8

Bupa**Notes to the condensed consolidated financial statements (unaudited)**

For the six months ended 30 June 2010

15 Disposals

On 9 June 2010, the Group sold its 100% shareholding in MBF Management Pty Limited and its subsidiary companies. These subsidiary companies held the trade of the life insurance business (MBF Life) and wealth management business (ClearView) in Australia, and were included within the International Markets segment.

The MBF Life and ClearView businesses were sold for cash proceeds of £120.7m (AUD 206.1m). An adjustment amount, based on the final valuation of the net assets of the businesses sold, is payable following the finalisation of the completion accounts.

On 21 June 2010, the Group sold its 88% shareholding in Byrne and Hickman Limited, which was included in the International Markets segment, for cash proceeds of £0.4m (HKD 4.8m).

Total disposals are analysed below:

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Intangible assets	34.0	-	1.6
Property, plant and equipment	0.1	8.5	10.2
Financial investments	149.0	-	-
Assets backing life investment contract liabilities	840.4	-	-
Assets arising from insurance business	0.4	-	55.4
Deferred taxation asset	-	0.3	0.3
Trade and other receivables	4.5	1.9	3.1
Cash and cash equivalents	1.3	1.1	43.9
Provisions under insurance contracts issued	36.5	-	(97.6)
Provisions for liabilities and charges	-	-	(2.3)
Life investment contract liabilities	(840.4)	-	-
Deferred taxation liabilities	(5.5)	-	-
Trade and other payables	(93.2)	(3.7)	(6.5)
Net assets divested	127.1	8.1	8.1
Foreign exchange	2.4	-	(2.2)
Cash flow hedge	(0.9)	-	-
Directly related costs of disposal			
- cash	1.0	0.6	0.8
- non-cash	1.4	0.9	0.2
Net (loss)/gain on sale of business	(9.9)	1.1	20.3
Sale proceeds	121.1	10.7	27.2

The sale proceeds from the disposal of subsidiary companies were satisfied by cash of £114.4m and £6.7m which was deferred. The cash proceeds received, net of disposal costs paid to 30 June 2010, and cash and cash equivalents disposed of, was an inflow of £112.1m

16 Cash and cash equivalents

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Cash at bank and in hand	333.8	248.3	223.8
Short-term bank deposits	716.9	782.2	834.5
Cash and cash equivalents	1,050.7	1,030.5	1,058.3
Bank overdrafts	(2.1)	-	(0.7)
Restricted access deposits	(31.2)	(30.6)	(31.2)
Cash and cash equivalents in the statement of cash flows	1,017.4	999.9	1,026.4

Cash and cash equivalents include £31.2m (HY 2009: £30.6m; FY 2009: £31.2m) over which the Group has restricted access. These amounts are held in respect of specific obligations and potential liabilities and may be used only to discharge those obligations and potential liabilities if and when they crystallise. Included in short-term deposits is £25.4m (HY 2009: £23.9m; FY 2009: £25.4m) to secure a liability for unapproved pension arrangements.

17 Subordinated liabilities

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Non-current			
Callable subordinated perpetual guaranteed bonds	330.0	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	41.0	15.7	22.6
Callable subordinated perpetual guaranteed bonds at carrying value	371.0	345.7	352.6
10.5% subordinated guaranteed bonds due 2018	3.9	3.9	3.9
	374.9	349.6	356.5
Current			
Callable subordinated perpetual guaranteed bonds	16.0	16.0	5.9
10.5% subordinated guaranteed bonds due 2018	0.2	0.2	-
	16.2	16.2	5.9
Total subordinated liabilities	391.1	365.8	362.4

Callable subordinated perpetual guaranteed bonds

In December 2004, Bupa Finance plc issued £330.0m of callable subordinated perpetual guaranteed bonds, which are guaranteed by Bupa Insurance Limited. Interest is payable on the bonds at 6.125% per annum. The bonds have no fixed maturity date but a call option is exercisable by Bupa Finance plc to redeem the bonds on 16 September 2020. This call option coincides with an increase in the interest rate applicable on the bonds, which makes redemption at this point highly likely. In the event of the winding up of Bupa Finance plc or Bupa Insurance Limited the claims of the bondholders are subordinated to the claims of other creditors of these companies.

The total value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, is £387.0m (HY 2009: £361.7m, FY 2009: £358.5m).

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

18 Other interest bearing liabilities

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Non-current			
Secured loans	233.9	234.0	234.1
Debenture stock	55.2	58.1	57.0
Senior unsecured bonds	347.4	-	347.1
Bank loans	296.4	933.1	464.0
Finance lease liabilities	3.5	4.5	4.2
	<u>936.4</u>	<u>1,229.7</u>	<u>1,106.4</u>
Current			
Secured loans	4.1	4.2	4.1
Debenture stock	2.6	1.4	1.7
Senior unsecured bonds	12.4	-	12.5
Bank loans	0.4	3.1	1.9
Bank overdrafts	2.1	-	0.7
Finance lease liabilities	0.8	0.8	0.9
	<u>22.4</u>	<u>9.5</u>	<u>21.8</u>
Total interest bearing liabilities	<u>958.8</u>	<u>1,239.2</u>	<u>1,128.2</u>

19 Post employment benefits

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees and Directors. The principal defined benefit scheme in the UK is The Bupa Pension Scheme. Contributions by employees and by Bupa Group companies are administered by trustees in funds independent of the Group. The scheme was closed to new entrants from 1 October 2002 but its existing members continue to accrue entitlements in respect of current service. The Bupa Pension Scheme has been valued as at 30 June 2010, under International Accounting Standard 19: *Employee benefits* (IAS 19) using the projected unit method based on data used for the triennial valuation as at 1 July 2008.

Unfunded defined benefit pension arrangements exist for certain employees and former employees in excess of the funded pension arrangements provided by the Group. There are no separate funds or assets in the balance sheet to support the unfunded schemes but provisions are included in the balance sheet in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2010 under IAS 19 by the Group's independent actuary.

The Group also provides unfunded post retirement medical benefits for certain former employees. These benefits were granted under an agreement which closed to new entrants in 1992. The latest valuation of this scheme was carried out as at 30 June 2010 by an actuary employed by the Group.

The net impact of the valuations described above is to reduce the net deficit relating to post employment schemes of £35.8m as at 31 December 2009 to a net deficit of £24.6m as at 30 June 2010.

The amounts charged to the income statement were as follows:

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Current service cost	9.9	8.7	19.3
Interest on obligations	24.5	19.9	43.0
Expected return on scheme assets	(26.5)	(21.5)	(46.5)
Gains on curtailments	(2.5)	-	(3.0)
Total amount charged to consolidated income statement	<u>5.4</u>	<u>7.1</u>	<u>12.8</u>

The amounts recognised in the balance sheet were as follows:

	At 30 June 2010 £m	At 30 June 2009 £m	At 31 December 2009 £m
Present value of funded obligations	(922.3)	(745.4)	(902.1)
Fair value of scheme assets	946.2	785.7	916.2
Net assets of funded schemes	23.9	40.3	14.1
Present value of unfunded obligations	(48.5)	(44.8)	(49.9)
Net recognised liabilities	<u>(24.6)</u>	<u>(4.5)</u>	<u>(35.8)</u>

Individual pension schemes showing a net deficit are classified on the balance sheet within post employment benefit liabilities and those schemes showing net asset are classified within post employment benefit net assets as follows:

Net liabilities	(59.6)	(53.5)	(60.9)
Net assets	35.0	49.0	25.1
Net recognised liabilities	<u>(24.6)</u>	<u>(4.5)</u>	<u>(35.8)</u>

Bupa
Notes to the condensed consolidated financial statements (unaudited)
For the six months ended 30 June 2010

20 Movement in net funds

The movement in the Group's net funds during the period is explained as follows:

	At 1 January 2010 £m	Cash flow £m	Disposals (excluding cash and overdrafts) £m	Changes to market value and currencies £m	Other non- cash changes £m	At 30 June 2010 £m
Cash and cash equivalents						
Cash at bank and in hand	223.8	107.0	-	3.0	-	333.8
Overdrafts	(0.7)	(1.4)	-	-	-	(2.1)
Short-term bank deposits	803.3	(134.6)	-	17.0	-	685.7
		(29.0)				
Financial investments - non-current						
Debt securities - government gilts	66.1	(0.9)	-	4.4	-	69.6
Debt securities - corporate bonds	188.3	(30.9)	-	2.3	1.8	161.5
Shares and other variable yield securities	0.1	55.0	-	7.8	39.9	102.8
Medium term notes	122.9	52.1	-	-	(70.9)	104.1
Deposits with credit institutions	164.5	145.8	-	0.3	0.2	310.8
		221.1				
Financial investments - current						
Debt securities - government gilts	87.8	2.3	(84.8)	1.5	-	6.8
Shares and other variable yield securities	131.3	(5.6)	(60.6)	(4.3)	(39.9)	20.9
Medium term notes	259.3	(70.7)	-	(0.3)	71.2	259.5
Reverse repo securities	191.8	38.9	-	(16.0)	-	214.7
Deposits with credit institutions	410.2	117.0	-	5.2	2.5	534.9
Property trusts	2.7	-	(3.6)	0.9	-	-
		81.9				
Life investment contracts						
Financial investments backing life investment contract liabilities	825.9	(37.0)	(835.2)	46.3	-	-
Life investment contract liabilities	(832.0)	21.8	840.4	(30.2)	-	-
		(15.2)				
Investment properties	104.7	2.2	-	3.6	(0.3)	110.2
		2.2				
Other interest bearing liabilities - non-current						
Secured loans	(234.1)	-	-	-	0.2	(233.9)
Debenture stock	(57.0)	-	-	-	1.8	(55.2)
Senior unsecured bonds	(347.1)	-	-	-	(0.3)	(347.4)
Bank loans	(464.0)	165.0	-	2.6	-	(296.4)
Finance lease liabilities	(4.2)	0.3	-	0.3	0.1	(3.5)
		165.3				
Other interest bearing liabilities - current						
Secured loans	(4.1)	-	-	-	-	(4.1)
Debenture stock	(1.7)	-	-	-	(0.9)	(2.6)
Senior unsecured bonds	(12.5)	-	-	-	0.1	(12.4)
Bank loans	(1.9)	2.0	-	-	(0.5)	(0.4)
Finance lease liabilities	(0.9)	0.1	-	0.1	(0.1)	(0.8)
		2.1				
Subordinated liabilities - non-current						
Callable subordinated perpetual guaranteed bonds	(352.6)	-	-	(18.4)	-	(371.0)
10.5% subordinated guaranteed bonds due 2018	(3.9)	-	-	-	-	(3.9)
		-				
Subordinated liabilities - current						
Callable subordinated perpetual guaranteed bonds	(5.9)	-	-	-	(10.1)	(16.0)
10.5% subordinated guaranteed bonds due 2018	-	-	-	-	(0.2)	(0.2)
		-				
Net funds per balance sheet	1,260.1	428.4	(143.8)	26.1	(5.4)	1,565.4

Bupa

Notes to the condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2010

21 Going concern

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review (pages 2 to 31) of the Group's 2009 Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's report on pages 24 to 27 of the Group's 2009 Annual Report and Accounts, together with further information disclosed in notes 22 to 24 and 30. In addition, notes 33 and 34 of the Group's 2009 Annual Report and Accounts summarise the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group maintains significant cash balances to meet its day to day working capital requirements. These balances, together with the Group's committed bank facility, provide the sources of liquidity for the Group. International Accounting Standard 1: *Presentation of financial statements* (IAS 1), requires the Group to make an assessment of its ability to continue as a going concern when preparing its financial statements. In making this assessment, management have considered forecasts based on the Group's Three Year Plan for 2010 to 2012, which take account of reasonable possible changes in trading performance. These projections show that the Group will be able to operate comfortably within the level of its current facility. This is supported by the Group having refinanced its main bank facility in June 2010 and it now has a £900m committed bank facility which matures in September 2013.

Bupa

Statement of Directors' responsibilities

For the six months ended 30 June 2010

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
- the half year report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of The British United Provident Association Limited are listed in the Annual Report and Accounts for the year ended 31 December 2009, with the exception of Rita Clifton who was appointed to the Board on 1 July 2010.

By order of the Board

R King
Chief Executive

T Singer
Group Finance Director

10 August 2010

Bupa

Independent review report to The British United Provident Association Limited from KPMG Audit Plc

For the six months ended 30 June 2010

Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half yearly financial report for the six months ended 30 June 2010 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"), as if the Company were required to comply with those rules. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the Directors.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half year financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half year financial report for the six months ended 30 June 2010 are not prepared, in all material respects, in accordance with:

- IAS 34 as adopted by the EU;
- and the DTR of the UK FSA, as if those requirements were to apply to the Company.

Mary Trussell

for and on behalf of KPMG Audit Plc

Chartered Accountants

15 Canada Square

London, E14 5GL

10 August 2010