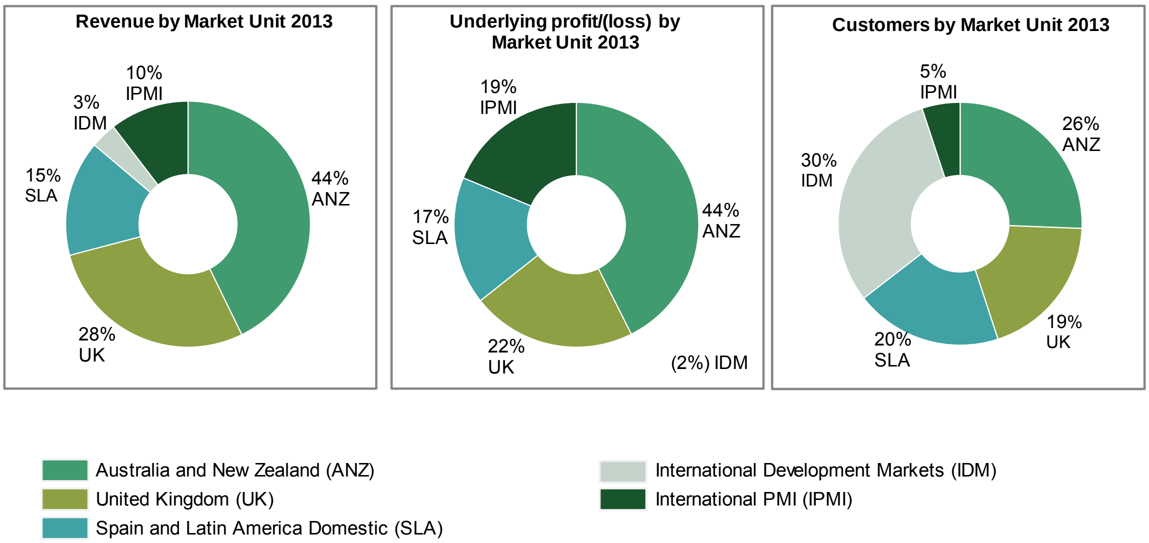
Bupa

Half year statement for the six months ended 30 June 2013

GOOD GROWTH IN REVENUE AND CUSTOMERS
MODEST UNDERLYING PROFIT GROWTH

HIGHLIGHTS

- Revenues up 8% to £4.5bn.
- Underlying profit before taxation up 1% to £258.9m.[†]
- Customer numbers up 30% to 14.5m, from June 2012.
- Statutory profit before taxation down 15% to £218.0m.
- Good cash flow from operations at £238.1m (2012 HY: £527.1m).[‡]
- Leverage increased to 25% (2012 FY: 19%), due to bond issue.
- Capital investment of £110.6m (2012 HY: £106.2m).



- **Good growth in revenue and customer numbers**
  - Expansion into new geographies and services through acquisition and partnership.
  - Development of differentiated and more affordable products and services to better meet customer needs.
  - Growing demand for international private medical insurance in emerging markets.
  - Reduced underlying profit in core businesses within Australia and Spain due to regulatory changes and macroeconomic challenges.

- **Significant investment in development and growth**
  - Market entry into Poland and acquisitions in Australia and Spain with these businesses already performing at or above expectations.
  - Investment in embedding our new structure to drive synergies and efficiencies.
  - Investment in capability to explore opportunities in developing markets.

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† See Financial Review (p18) for definition of underlying profit before taxation.
‡ Inflated 2012 cash flow due to one-off regulatory changes in Australia.

- **Driving access to high quality, better value treatment and care**
    - Continued success of our integrated funding and provision model in Spain.
    - Tackling medical inflation, particularly in the UK, where we delivered significant cost savings, while enabling people to access the most appropriate treatment and care.
    - Providing access to high quality care in regions of the world where it does not currently exist.

- **Strong financial position and confidence in our finances and strategy**
    - Successful bond issue in April, secured with a coupon of 5%.
    - Reaffirmation of A- senior debt rating from Fitch.

Stuart Fletcher, CEO of Bupa, commented:

"We delivered good revenue and customer growth in the first half of 2013 and saw a marginal uplift in underlying profit. However, due to significant regulatory and macroeconomic challenges in our core markets, a reduction in financial income, costs associated with executing acquisitions, and investment in initiatives to drive growth in the second half of the year, we experienced a decline in profitability. We saw an encouraging upswing in profits in the UK, as initiatives taken by our health funding business to improve claims management, began to deliver benefits."

"We made significant investment in management capability and exploring opportunities in developing markets, completing several acquisitions which are already out-performing expectations. These acquisitions are enabling us to drive access to high quality, more affordable healthcare and grow the integrated funding and provision model."

"Spain, Australia and the UK, the key countries in which we operate, will remain tough but we believe we can innovate to deliver for customers and grow our business. With no shareholders, we are also uniquely positioned to invest for the long term to deliver on our purpose of longer, healthier, happier lives."

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Chief Executive Officer's Review

We have started 2013 with good growth in revenue, up 8%, and customer numbers, up 30% but we experienced difficult trading performance in some of our major markets. These trading conditions, combined with investment in acquisitions, restructuring and in projects to drive growth, alongside a reduction in financial income, resulted in statutory profit before tax declining 15% year-on-year. Underlying profit growth was better, up 1%.

We focused on completing and integrating acquisitions in the first half of the year. LUX MED, the largest private healthcare provider in Poland, became part of the Bupa family in April and is already out-performing expectations. This transaction added more than a million customers and extended Bupa's footprint in integrated healthcare, which we believe to be the future of affordable, accessible, high quality healthcare.

LUX MED was part of a series of strategic investments that have seen us diversify our portfolio and enable us to offer customers a wider range of products and services. These investments included the acquisition of Dental Corporation, a business of 190 dental clinics in Australia and New Zealand and of Innovative Care's nine care homes making us the leading private provider of aged care in Australia.

We saw a decline in statutory profit before tax year-on-year as a consequence of two main factors. Firstly, a series of regulatory reforms in Australia led customers to downgrade their cover at the same time as the business received lower government-approved premium increases, affecting margins. Secondly, challenging economic conditions in Spain led more customers to use their health insurance, pushing up claims costs. Additional factors that had a negative impact on profitability in the short-term included costs relating to the acquisition of new businesses, investment in exploring new growth areas including opportunities in developing markets, restructuring costs relating to the Market Unit reorganisation, and a reduction in Financial Income due to weaknesses in the credit markets.

In the UK, our efforts to deliver more affordable healthcare to customers through tackling medical inflation started to deliver results. We made a significant impact by implementing measures that enable patients to access more appropriate treatment routes, continued to ensure we only fund care that meets evidence-based guidelines, and further negotiated fees with doctors and hospitals.

We continued to engage with the Competition Commission as part of its inquiry into the private healthcare sector to help drive reform. We believe the investigation has the potential to drive greater accountability among consultants for the quality and value of care they provide, see hospital chains competing more effectively and bring an end to practices in the system that create conflicts of interest for doctors and unnecessarily drive up costs. We are expecting the Commission to report its provisional findings before the end of August.

Our restructure into five Market Units at the end of 2012 has led management teams to take advantage of synergies across businesses in the same geography and drive efficiencies. We created a shared service centre in the UK which brings together functional teams such as people, procurement and IT and these will drive cost efficiencies in the medium-term.

We have started to make progress towards the delivery of our Bupa 2020 vision, announced at the end of 2012. This vision articulated our ambition to provide more personalised advice, treatment and care, make quality healthcare more affordable and accessible and our commitment to tackling some of the toughest challenges in healthcare. For example, our businesses launched new products and services to enable customers to access a wider range of treatments more swiftly and be better supported throughout their illness.

In the UK, innovation included a new self-referral service for employees of corporate clients needing to access mental health services quickly, and a unique cancer survivorship programme that provides bespoke support and advice to customers when their medical treatment comes to an end but their journey as a cancer survivor begins. In our Australian care homes, we started to introduce on-site GPs to enable residents to build a relationship with one clinician and as a result, deliver better, more personalised care.

There has been a focus on strategic expansion of retail stores and clinics across key markets. In Spain, we expanded our dental network and acquired Clínica Londres, which will enable us to offer a greater range of wellbeing services and treatments to customers. In Australia, we opened another multi-speciality store that offers insurance and optical services to help drive sales.

Our International Private Medical Insurance business delivered strong growth as we met growing demand for international standards of healthcare in emerging economies and continued to serve a more mobile workforce. Through a series of new partnerships with major local insurers in Africa, we have delivered access to high quality healthcare to people in regions of the world where international standards of healthcare are not always readily available.

Outlook

In the second half of the year, we will drive growth and profitability from our recent acquisitions and our existing businesses and look for opportunities that will continue to allow us to diversify and strengthen our offer. We will innovate in products and services and ensure our restructured organisation is as efficient as possible.

We expect economic conditions to remain challenging in many parts of the globe, but the ability to improve care while containing costs through integrated funding and provision models increasingly provides Bupa with a sustainable platform for growth.

Our successful bond issue in April of this year, secured with a coupon of 5%, is indicative of our strong financial position and of the confidence of the investment community in our finances and strategy.

Australia and New Zealand

	Revenues	Underlying Profit	Customers
HY 2013	£1,910.5m	£115.9m	3.7m
HY 2012	£1,727.7m	£127.6m	3.4m
Percentage growth	11% ↑	9% ↓	9% ↑

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

- Bupa Australia, the largest privately owned health insurance provider in the country which also offers health assessments, health coaching and international health cover, optical and dental care;
- Bupa Care Services Australia, which provides care to around 5,200 elderly residents in 59 homes; and
- Bupa Care Services New Zealand, which cares for nearly 4,000 people in 48 homes, 22 care villages and seven rehabilitation sites and also provides telecare services via a personal alarm network.

The Market Unit delivered good growth in customers and revenue despite ongoing economic uncertainty and low levels of consumer confidence. However, the insurance business saw a reduction in profit year-on-year due to a lower than expected government-regulated premium increase and regulatory changes affecting the affordability of private healthcare that encouraged some customers to downgrade their cover. As a result, underlying profit was 9% lower than 2012.

We continued to innovate to create more affordable products and services that are better tailored to the needs of specific groups such as the over 55s. We expanded our retail presence with two new stores opened in the first half of 2013. A further integrated insurance and optical store opened in Adelaide following the success of the format in Brisbane, enabling us to better sell related products and services. During the year we rebranded our eye care business from Blink Optical to Bupa Optical, and drove double-digit sales increases.

In April, our first three integrated healthcare homes went live in Australia as on-site GPs were introduced into three homes in Melbourne. A quarter of Bupa homes will have resident GPs by the middle of 2014 and our entire portfolio by the end of 2015. The introduction of on-site GPs will enable residents to have better, faster access to a clinician who will know their personal circumstances and therefore be able to deliver more personalised care.

In New Zealand, we opened additional apartments and villas in three care villages and increased capital investment by 20% year-on-year in new builds and refurbishment.

In May we completed the acquisition of Dental Corporation, a strong and successful business which we believe has great scope in terms of profitability, footprint and service offerings in the long-term. This added a further 190 clinics and 2,350 people to the Bupa family. We are already sharing our international healthcare expertise with Dental Corporation and believe we can learn from their highly-skilled management team.

We also acquired Innovative Care's nine care homes in Australia, with the tenth completed in July, and the Maxwell care home in Blenheim, New Zealand. Integration of these businesses is progressing well, and we are already rolling out Innovative Care's electronic care planning in our existing care homes, and implementing best practice learnings.

Activity has begun to drive synergies and deliver operating cost efficiencies, with the creation of shared service teams in the three businesses that make up the Market Unit.

For the remainder of the year, the performance of the Market Unit is expected to improve as the private health insurance business continues its retail transformation programme to enhance the customer experience, realise further synergies, and explore a number of opportunities in care homes to drive further growth.

Health Insurance

The business delivered good customer growth year-on-year with an increase in market share as a consequence of successful marketing campaigns which attracted new customers in an active switching market and an effective customer retention programme. In the first quarter of 2013, Bupa delivered its fourth consecutive quarter of growth in market share, a five year record.

We developed new, more affordable, tailored products and services which included the launch of *Live Well*, a new product for the over 55 age group which provides specific cover for cataract operations and hip and knee replacements as well as health aids and home nursing care. A new product for corporate clients in the mining sector was also developed to address the specific needs of employees working in the industry.

However, profit was down due to several factors including lower than expected government-regulated premium increases, resulting in lower margins. Customers also continued to downgrade cover in response to lower government tax rebates and softer economic conditions. Further regulatory challenges on the horizon include linking of the health insurance tax rebate to either the consumer price index or to premium rises by insurers, whichever is lower, and the removal of the rebate on the lifetime health cover loading applicable to people taking out private hospital cover after their 31st birthday.

Care Services

In Australia, revenues grew with good underlying business growth. Occupancy dipped to 91.8% compared to 94.0% at June 2012 due to an increase in capacity.

In May 2013, the Bupa Sutherland care home opened near Sydney with a dedicated dementia wing and plans are in place to refurbish and extend existing homes. Five 'Living Longer, Living Better' reform bills passed through the Upper House of parliament in June 2013. We have assessed the likely impact of these reforms and whilst welcoming the overall sentiment of the legislation, which is to improve choice, access and quality of care, we remain cautious as much of the detail is still undefined.

In New Zealand, revenues and profits increased year-on-year with resident numbers rising. However as capacity grew at a faster rate, occupancy figures slipped to 90.9% from 94.0% in care homes and to 87.5% from 91.1% in care villages. Government spending caps in New Zealand continue to present some financial challenges.

UK

	Revenues	Underlying Profit	Customers
HY 2013	£1,255.3m	£59.2m	2.8m
HY 2012	£1,252.4m	£26.4m	2.9m
Percentage growth	0% ↔	124%↑	3% ↓

The UK Market Unit is comprised of five business units:

- Bupa Health Funding, offering health insurance and health funding products;
- Bupa Care Services, providing care to more than 17,000 residents in almost 300 homes;
- Bupa Health Clinics, which runs Wellness Centres, Clinics, Occupational Health services and dental provision;
- Bupa Home Healthcare, providing out of hospital healthcare services to almost 18,000 patients; and
- Bupa Cromwell Hospital, Bupa's complex care hospital based in London, providing care for insured, self-pay and international patients.

Performance in the UK was much improved, as revenues held steady year-on-year and profits increased as a consequence of improved claims cost management and healthcare purchasing, and savings resulting from prior year claims being lower than anticipated in Bupa Health Funding. This performance was driven, in part, by the business taking action to tackle the rising cost of healthcare. As such, in the medium term, making private health insurance more affordable through limiting premium increases. The performance was partially offset by a decline in profits in our Care Services business as public sector budget constraints combined with higher fuel, catering and wage costs in our care homes continued to exert pressure on the business.

To deliver on our commitment to provide more accessible and affordable healthcare we launched a number of initiatives in the first half of 2013. These included new services to health insurance customers enabling them to access a wider variety of treatments, and the opening of three further dental centres in convenient city locations. We continued to submit evidence to the Competition Commission as part of its enquiry into the private healthcare sector and are expecting it to report its provisional findings in the coming weeks.

In June 2013, the Chancellor of the Exchequer committed to bring £3.0bn of health and social care budgets together to enable local councils and the NHS to work more closely together in the delivery of integrated health and social care. This decision may provide opportunities for us to work with local authorities and new Clinical Commissioning Groups to deliver, or facilitate the delivery of, different types of much-needed care in particular regions or localities.

Following Bupa’s restructure at the end of 2012 which brought all of our UK businesses together into one Market Unit, progress has been made in streamlining functional teams which has led to the formation of a shared service centre, designed to drive efficiencies in the medium-term.

For the remainder of the year, we will continue to drive efficiency savings and control costs, develop new products, and look for further opportunities to grow and diversify the range of services we offer. We will also look at ways to broaden our partnerships with local authorities and Clinical Commissioning Groups to provide high quality care and support to patients and their families that is tailored to the needs of individuals.

Health Insurance

Bupa Health Funding provides health insurance and health funding products to individuals and businesses of all sizes. Revenues fell and customer numbers overall were 2.8% lower year-on-year, driven by the sluggish economic environment and the increasing trend towards price-led competition in what has been a contracting market.

We saw a welcome increase in profits year-on-year as a consequence of improved claims cost management and a reduction in operating expenditure as well as savings resulting from prior year claims being lower than anticipated. This profit improvement was driven, in part, by actions taken by the business to tackle medical inflation and help deliver on our strategy of making private medical insurance more affordable and sustainable, over the medium term. We made improvements to our offer, service platform and account management capability and as a result, saw good retention levels amongst corporate customers.

In March 2013, Dr Damien Marmion, managing director of Bupa Health Funding, called for the sector to work together to ensure private healthcare remains affordable by being obsessive about improving value for money for customers. Dr Marmion pledged to improve the patient experience so customers receive the treatment and care that's right for them and reiterated our commitment to work with doctors and hospitals to improve the affordability of health insurance. We hope that our message to the Competition Commission to take steps to help drive a greater link between quality and value in the sector was heard and that action will be taken.

New services were launched to improve awareness and access to the variety of treatment options available for a range of conditions. *Bupa Healthy Minds* was introduced for corporate customers, a service that allows employees to access a variety of mental health support in person or via phone, without the need for GP referral while an online knee clinic was launched to help raise awareness of the treatment options available for different knee conditions and preventative advice.

A new, unique cancer survivorship programme has been created to help patients approaching the end of their treatment to continue to access advice and support such as counselling or guidance on how to stay healthy.

In January 2013, Bupa Health Funding was named 'Health Insurance Provider of the Year' at the Consumer Moneyfacts Awards where, based on consumer feedback, judges praised the company for providing competitive products and taking good care of customers. The business also won 'Health Insurance Provider of the Year' at the Financial Adviser Life and Pension Awards for the fourth consecutive year.

Care Services

We saw a small rise in the number of publicly funded residents from the NHS as demand increased for short-term step-down care. However, overall, occupancy fell from 86.8% in 2012 to 85.3% in 2013 and revenues and profits were down as a result of the ongoing challenges in social care funding.

Fees from local authorities, who pay for the care of around 70% of residents in Bupa care homes, continued to track below inflation which is compounded by the impact of increases in wage and utility costs facing the business.

Three new homes opened in Glasgow, Brighton and Fareham with more homes in the development pipeline. The business invested £8.6m in refurbishment projects and we are extending our services in existing homes to care for people with a broader range of needs such as the young physically disabled and those living with dementia who present challenging behaviours.

Health Clinics

Revenue was ahead year-on-year driven by the opening of new dental centres in Sheffield, Leeds and Canary Wharf in London. We have seen higher numbers of customers using our musculo-skeletal centres as more insurance customers choose physiotherapy and non-invasive treatments over surgical options.

New mobile occupational health screening units were launched for corporate clients to help reduce the number of working hours lost by employees travelling to medical screenings. These units were designed for Network Rail to help reach their 37,000 employees more easily and will be rolled out to other corporate customers later this year.

Home Healthcare and Hospital Services

Revenue increased and patient numbers were up 9% in Bupa Home Healthcare, as we won a number of contracts, particularly in medicines management services, home Total Parenteral Nutrition and home oncology services. However continued pressure on margins and staffing costs impacted performance. Our investment programme, which began in 2012, is focusing on upgrading our pharmacy and transport systems which should lead to financial benefits in 2014.

Revenue increased at the Bupa Cromwell Hospital, driven by growth of increasingly complex inpatient cases, outpatient services such as diagnostic scans, cardiology tests, and greater utilisation of the hospital’s lung function laboratory which opened in 2012. In May, the hospital recorded its highest ever overall quality of care score with 95% patients rating us very good or excellent.

Spain and Latin America Domestic

	Revenues	Underlying Profit	Customers
HY 2013	£681.7m	£46.0m	2.8m
HY 2012	£598.9m	£52.8m	2.2m
Percentage growth	14% ↑	13% ↓	32% ↑

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

- Sanitas Seguros, providing health insurance services;
- Sanitas Hospitales and New Services, operating three private hospitals, 18 private medical clinics, health and wellbeing services through 18 centres and two Public-Private Partnerships;
- Sanitas Dental, providing dental insurance services through 118 centres (59 owned and 59 franchises) and third-party networks;
- Sanitas Residencial, caring for more than 4,300 residents in 40 care homes; and
- Latin America Domestic, a new business established in October 2012 to provide domestic PMI services which is currently planning its entry strategy but as yet, has no in-country presence.

The business saw very strong growth in customers and revenue in all businesses, driven by the success of our integrated healthcare and provision model which continues to deliver despite the poor economic environment. However, profits were lower as a consequence of higher health insurance claims, driven in part, by declining satisfaction with public health services which increased the use of private healthcare.

In the first half of 2013, we delivered a number of initiatives that sought to maximise the benefits for customers of our distinctive integrated model. In May, we acquired Clínica Londres, which has 14 wellbeing clinics. The clinics offer services such as smoking cessation, obesity and wellness treatments, which will be integrated into our existing wellbeing network to enable us to provide a full complement of health and wellbeing services in more locations across Spain. In April, we also introduced a new, more affordable, dental product for customers who access dental services only in our Sanitas centres. Hospital activity significantly increased as a consequence of more insurance customers using Sanitas hospitals with revenue from these customers growing by more than 7% year-on-year.

The integration of the Torrejón Hospital, our second Public-Private Partnership (PPP) which we acquired at the end of 2012, was a key focus of the business during the first six months of the year and is already performing ahead of expectations. We were also successful in our bid to run the Hospital del Henares near Madrid, our third PPP, which is a good strategic and geographic fit for our business. We continued exploring initiatives to leverage our Market Unit expertise and resource and take advantage of shared services among the businesses.

For the remainder of 2013, we will continue to drive customer growth with a focus on sales and customer retention, and we plan to expand our dental network by nearly a third. We will continue our integration of Clínica Londres, increase the proportion of self-pay patients in hospitals and implement strategies to manage medical costs in our health insurance business. We will also continue to develop our market entry strategy for Latin America.

Health Insurance

The health insurance business grew customer numbers in the first half of 2013 as a consequence of a strong focus on customer retention and new collaboration and distribution agreements with agents and other mediated channels. We now have over 1.57m customers, up 6.6% year-on-year. This growth was achieved against a backdrop of difficult trading conditions, with government austerity measures and high unemployment meaning households had limited discretionary spend and have become more price sensitive.

Longer waiting times and growing dissatisfaction with public health services have seen our claims volumes increase during the period. While this trend could attract more customers in the longer-term, the short-term effect has driven higher claims costs and impacted profit. We reviewed our product structure and introduced a number of initiatives to manage medical costs.

Our successful *Healthcare Partner Programme* continues to be a key factor in driving customer retention, serving our customers through four distinct programmes: one for children up to 14; one for teenagers up to 18; one for women; and one for men. The *Healthcare Partner Programme* is a preventative medicine progamme that offers customers a differentiated set of services. In addition, our excellent customer service was recognised once again as we were awarded a Platinum award at the prestigious ‘Contact Center Awards’.

Hospitals and provision

Revenue and profit were very strong, driven by growth in existing businesses and strategic investment in new acquisitions.

As well as the integration of the Torrejón hospital in Madrid, which performed well in the first six months of the year, we continued to grow our network of medical centres, opening a new centre in Zaragoza in north-east Spain, and expanding our existing Seville centre. We made the most of leading-edge technology such as the Da Vinci robot and cataract laser, which is helping to increase the level of efficiency in our private hospitals.

Dental

The dental business performed well, with revenue up by a third, and customer numbers up almost 40%. Growth was driven by the maturity of the 30 centres we opened in 2012, as well as the opening of six new dental centres in the cities of Jáen, Huelva, Cádiz, Oviedo, Dos Hermanas and Cáceres. This performance was underpinned by strong organic growth from our insurance customers and a greater focus on strengthening sales channels, although profits were broadly flat, due to start-up costs associated with the expansion of our network of dental centres. We also acquired one franchise in Santander, and have plans to open 34 additional centres in the remainder of 2013.

Care Services

Revenue increased in our care homes business but profits remained flat. We saw good growth in occupancy, up from 80.5% in 2012 to 85.6%, with an increase in self-funding customers, offsetting the impact of public sector cuts. We invested £3.5m in our care homes, undertaking a refurbishment programme which completed in July 2013 and in staff training to make our sales teams more customer focused.

Latin America Domestic

We continue to plan our strategy for entry into a small number of domestic markets in Latin America.

International Development Markets

	Revenues[§]	Underlying (Loss) / Profit	Customers
HY 2013	£152.6m	(£5.1m)	4.4m
HY 2012	£114.4m	£1.9m	2.0m
Percentage growth	33%↑	368% ↓	121% ↑

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

- Domestic health insurance businesses in Thailand, Hong Kong, India[§] and Saudi Arabia[§], as well as a representative office in China;
- Health Dialog, a health analytics business in the USA; and
- LUX MED, an integrated medical subscription and healthcare provision business in Poland.

The Market Unit delivered very strong growth in revenue and customer numbers year-on-year, partly as a consequence of the acquisition of LUX MED, the largest private healthcare provider in Poland, which completed in April 2013. This acquisition provided entry to a fast growing market with an increasing need for new sources of healthcare funding and provision, areas where we believe Bupa can add significant value. Even excluding the impact of this acquisition, International Development Markets has seen double digit revenue and customer growth in our insurance businesses, driven by winning new corporate customers, particularly in Hong Kong and Thailand.

However, performance was affected by the ongoing challenges in our Health Dialog business in the USA, where large regional health insurers continue to in-source disease management. We also made a number of investments in potential development opportunities in existing and new markets. As expected, the Market Unit made a loss in the first half of 2013.

Competition remains strong in all of our markets, however, our position as a healthcare specialist versus our competitors, which are primarily multi-line insurers, is a critical and advantageous point of differentiation as is our international reputation for customer service and delivery.

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

Health Insurance

Performance was strong in Hong Kong where the business invested in new marketing campaigns while Thailand expanded its corporate client base, and launched a new 'pay monthly' product to enable people without a credit card to purchase insurance products.

In Bupa Arabia, our associate** company in Saudi Arabia, we grew revenue and customer numbers, particularly corporate clients, despite fierce price competition. A new marketing and communications campaign was launched to support families, and we implemented a number of initiatives to build closer relationships with our customers such as the delivery of maternity baskets to new mothers and enabling customers to speak to doctors online. We continued to win a number of awards that position Bupa Arabia as a destination employer including 'Best Saudi Company to Work For, for Women'.

In India, Max Bupa, our joint venture** with Max India, the business expanded its telesales operations and use of agents, generating double digit growth in both revenue and customer numbers, with customers exceeding 500,000 for the first time in June 2013. We launched a *Group Personal Accident* product for corporate customers and expanded our provider network, almost doubling the number of hospitals available to our customers. The business will open up to 15 new branches during the second half of 2013, extending its reach across India. Customer numbers were boosted further by an additional 769,000, as part of a scheme with the Indian government to bring low cost health insurance to families living below the poverty line.

Health Analytics

Health Dialog provides health analytics and care management services to regional and national health insurance companies, unions and employers to improve the quality of care and reduce the cost of healthcare. Year-on-year revenues, profit and customer numbers were down as we expected, as large regional insurers continue to in-source disease management services and the US government health reforms continued to create uncertainty in the market. We invested in leadership capability, new sales staff and repositioned the business to focus on working with smaller regional health insurers and large employers where we are better able to add value. We also continued to develop our direct relationships with healthcare providers and are collaborating with a number of primary and secondary care groups to offer health coaching at the point of care.

Subscription and Provision

LUX MED's revenue and profit has performed better than expected in the first three months of Bupa ownership. We are now investing to further improve the speed of access to doctors and other services and to increase customer satisfaction.

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

In the remainder of the year, our insurance businesses and LUX MED are expected to grow through innovation and product development, while Health Dialog is expected to contract as it continues to reposition itself. We will continue to invest in our capabilities in China and South-east Asia as we look for further market development opportunities. The Market Unit will continue to diversify its portfolio of businesses and geographical presence, investing to support Bupa's continued expansion into new markets where we can deliver value for customers, get good financial returns and deliver on Bupa's purpose of longer, healthier, happier lives.

International Private Medical Insurance (IPMI)

	Revenues	Underlying Profit	Customers
HY 2013	£464.8m	£51.0m	0.7m
HY 2012	£423.9m	£44.0m	0.7m
Percentage growth	10% ↑	16% ↑	6% ↑

The International Private Medical Insurance Market Unit provides international health insurance, travel insurance and medical assistance to individuals, small businesses and corporate customers in more than 190 countries. Our core customer base is expatriates who require access to outstanding international healthcare whilst moving around the globe.

The Market Unit performed strongly with substantial growth in customer numbers, revenue and profit. Growth was driven across all segments by enhancements to our direct sales capability and the development and expansion of more affordable and tailored products and services.

Customer satisfaction levels continued to rise translating into excellent customer retention, especially amongst corporate clients, where our improvements in self-service capability, such as online claiming, have proven popular.

The business delivered new partnerships, products and services and expanded its customer base as demand for access to high quality international healthcare grows in less developed regions of the world.

Collaboration with a major local insurer in North Africa was a key contributor to performance of corporate growth as thousands of customers look for access to international standards of healthcare which are not always available in their country or locality. Similarly, a relationship with Jubilee Insurance, East Africa's largest insurance group, has allowed us to expand our reach into Kenya, Uganda and Tanzania.

Performance has also been strong in countries such as the United Arab Emirates where local healthcare is considered good but we identified a growing demand to purchase premium brand healthcare products and a willingness of customers to travel abroad to access treatment as part of a lifestyle choice.

Latin America has also been an area of focus. *Bupa Flex*, our short term product for individuals, was launched in Ecuador with lower annual claim limits to meet demand for international coverage at a more accessible price point. We obtained approval to sell products in Guatemala, an attractive new market for us, and launched a new suite of products in Bolivia.

Our office in Miami was awarded a 'Worksite Wellness' Award for outstanding contribution to employee wellness, delivering stress management and smoking cessation classes amongst other initiatives.

In the second half of 2013, the Market Unit is looking to strengthen its position in key growth markets and to continue to expand its customer base, working more closely with other Bupa businesses. We will look to make “international” a distinctive element of the Bupa brand and generate competitive advantage for all of Bupa’s businesses around the world.

FINANCIAL REVIEW

Summary of results

Six months ended 30 June	**2013 £m**	2012 £m
Total revenues	**4,464.8**	4,118.0
Underlying profit before taxation	**258.9**	255.4
Non-underlying items	**(40.9)**	0.6
Profit before taxation	**218.0**	256.0
Taxation	**(47.9)**	(60.3)
Profit for the period	**170.1**	195.7

Non-underlying profit items

To reflect the trading performance of the business in a consistent manner, we adjust profit before taxation for impairment and amortisation of intangible assets arising on business combinations, net revaluation and impairment charges on property, gains or losses on return seeking assets, and one-off items as follows:

Six months ended 30 June	**2013 £m**	2012 £m
Amortisation of intangible assets arising on business combinations	**16.9**	13.8
Net property revaluation and impairment charge	**(4.3)**	(3.6)
Restructuring costs	**4.3**	-
Costs associated with acquisition of subsidiary companies	**18.0**	-
Losses / (gains) on return seeking assets, net of hedging	**7.2**	(11.5)
Other	**(1.2)**	0.7
Total non-underlying profit items	**40.9**	(0.6)

There have been additional restructuring costs across the group in 2013 (relating to the new Market Unit structure launched in late 2012) which represents the scale of change we have undertaken and that some of the Market Units are still in the transition phase. One-off costs associated with the purchase of Dental Corporation in Australia, LUX MED in Poland and the 9 care homes from Innovative Care have also been incurred in the first half of 2013.

Financial income and expenses

Net financial income reduced to £7.3m (down 71%), primarily due to weaker performance on our return seeking asset portfolio in line with the general adverse movement in credit markets during the first half of 2013, in addition to higher borrowing costs following the bond issue. These were partially offset by net foreign exchange gains.

Taxation

Our taxation expense represents a headline rate of 22.0%, which is lower than the UK corporation tax rate due to recognition of prior period tax credits. This is lower than the 2012 full year headline rate of 23.1% following the reduction of the UK corporation tax rate from 24% to 23%.

Balance Sheet, funding and solvency

We seek to manage our business within financial ratios that support a solid investment grade credit rating, providing a secure platform for our sustainable growth ambitions.

We hold cash and other financial assets principally to meet the liabilities and solvency requirements of our regulated insurance entities. Cash and other financial assets as at 30 June 2013 totalled £3,376.3m (2012 FY: £3,559.9m).

The total investment portfolio, including return-seeking assets, produced an average return of 1.6% in the period (2012 HY: 3.0%) due to credit markets seeing losses but particularly our emerging market debt fund. Security of the overall portfolio remains a key priority. Despite the continued pressure on credit ratings, approximately 91% of the Group's portfolio is held in counterparties rated A-/A3 or better.

In April, against a strong market backdrop, we issued a 10 year sterling subordinated bond with a 5% coupon. The success of the transaction demonstrates confidence in the Group's finances and strategy. The bond raised £500m of Tier 2 capital, which has served to support the Group's recent acquisitions and provide a prudent solvency capital buffer. As a result of the bond issue, our leverage has increased to 25% (2012 FY: 19%).

Our principal debt ratings relate to senior debt issued by Bupa Finance plc (the Group's main holding and financing company). There have been no changes to our ratings during the period, with the most recent re-affirmation being from Fitch in July (A- stable). The Moody's rating is currently Baa2 stable.

We monitor the Group's solvency on an ongoing basis and continued to maintain strong solvency headroom in the first half of 2013. At 30 June 2013, the estimated surplus under the Insurance Groups Directive (IGD) was £1.9bn (2012 FY: £2.1bn), representing a solvency coverage ratio of 324% (2012 FY: 367%).

The reduction in IGD surplus is driven by increases in assets that are inadmissible for regulatory purposes, primarily goodwill and intangible assets, as a result of recent acquisitions, offset by retained profit in the period and the issue of the £500m subordinated debt classified as Tier 2 capital.

Cash flow

Six months ended 30 June	**2013** **£m**	2012 £m
Net cash from operating activities	**238.1**	527.1
Net cash used in investing activities	**(295.9)**	(432.0)
Net cash generated from / (used in) financing activities	**158.9**	(22.9)
Net increase in cash and cash equivalents	**101.1**	72.2

Operating:
Operating cash flows are down 55% compared to June 2012. This decrease is driven by the reduction in operating profits from the Market Units, in addition to 2012 cash flows being significantly inflated in Australia. This was due to the timing of the Government changes which came into effect on 1 July 2012, which means tested eligibility for rebates on health insurance. This change influenced a number of customers to renew or subscribe prior to 30 June to prolong their level of benefit for as long as possible.

Investing:
During the period we spent £495.9m on acquiring new businesses and a further £109.5m on capital expenditure, which was partially funded by a draw down on our deposits.

Financing:
The £500m subordinated bond issue drove a positive cash inflow from financing activities, which was partially offset by the settlement of external loans in our newly acquired businesses.

Business risks and uncertainties

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

Bupa maintains a well established process for identifying and managing business risks. This includes effective oversight of the risks associated with the change programmes underpinning Bupa's strategy.

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

In many markets in which Bupa operates, health and care is impacted by changes to public policy. The decisions of governments and regulators on issues such as tax relief and the pricing and regulation of health insurance, as well as care services fees and referrals continue to present a risk to some Bupa businesses. In recent times the regulatory focus applied to Bupa and other companies operating within the same markets, has been increasing.

The British United Provident Association Limited

Condensed consolidated half year financial statements (unaudited)

Six months ended 30 June 2013

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2013

	Notes	**For six months ended 30 June 2013 £m**	For six months ended 30 June 2012 [1] £m	For year ended 31 December 2012 [1] £m
Revenues				
Gross insurance premiums		**3,491.6**	3,297.9	6,692.8
Premiums ceded to reinsurers		**(18.6)**	(15.0)	(29.2)
Net insurance premiums earned		**3,473.0**	3,282.9	6,663.6
Revenues from insurance service contracts		**5.9**	5.8	11.4
Care, health and other revenues		**985.9**	829.3	1,698.9
Total revenues	2	**4,464.8**	4,118.0	8,373.9
Claims and expenses				
Insurance claims incurred		**(2,738.6)**	(2,591.0)	(5,187.9)
Reinsurers' share of claims incurred		**12.4**	10.5	15.5
Net insurance claims incurred		**(2,726.2)**	(2,580.5)	(5,172.4)
Share of post-taxation results of equity accounted investments		**(1.5)**	(1.1)	2.9
Other operating expenses		**(1,526.6)**	(1,308.8)	(2,670.9)
Other income and charges	3	**0.2**	3.5	(3.2)
Total claims and expenses		**(4,254.1)**	(3,886.9)	(7,843.6)
Profit before financial income and expenses		**210.7**	231.1	530.3
Financial income and expenses				
Financial income	4	**45.4**	59.2	124.6
Financial expenses	5	**(38.1)**	(34.3)	(69.8)
		7.3	24.9	54.8
Profit before taxation expense		**218.0**	256.0	585.1
Taxation expense	6	**(47.9)**	(60.3)	(134.9)
Profit for the financial period		**170.1**	195.7	450.2
Attributable to:				
Bupa		**169.2**	193.2	439.7
Non-controlling interests		**0.9**	2.5	10.5
Profit for the financial period		**170.1**	195.7	450.2

[1] The Income Statement has been restated in accordance with IAS 19, further details are provided in note 1.1.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30 June 2013

	For six months ended 30 June 2013 £m	For six months ended 30 June 2012 [1] £m	For year ended 31 December 2012 [1] £m
Profit for the financial period [1]	**170.1**	195.7	450.2
Other comprehensive (expense) / income			
Unrealised loss on revaluation of property	**(0.1)**	-	(17.0)
Actuarial (losses) / gains on pension schemes	**(13.5)**	66.4	17.0
Foreign exchange translation differences	**(135.6)**	(37.0)	(80.1)
Net (losses) / gains on hedge of net investment in overseas subsidiary companies	**(14.4)**	5.5	5.3
Cash flow hedge on acquisition of subsidiary companies	**4.0**	-	(2.2)
Change in fair value of underlying derivative of cash flow hedge	**0.9**	(0.3)	(0.8)
Acquisition of subsidiary companies attributable to non-controlling interest	**-**	-	5.8
Acquisition of non-controlling interest in subsidiary company	**-**	-	(5.3)
Taxation credit / (charge) on income and expenses recognised directly in other comprehensive income	**3.1**	(8.3)	8.2
Other comprehensive (expense) / income for the period, net of taxation	**(155.6)**	26.3	(69.1)
Total comprehensive income for the period	**14.5**	222.0	381.1
Attributable to:			
Bupa	**12.5**	220.2	381.7
Non-controlling interests	**2.0**	1.8	(0.6)
Total comprehensive income for the period	**14.5**	222.0	381.1

[1] The Statement of Comprehensive Income has been restated, further details are provided in note 1.1.

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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

as at 30 June 2013

	Notes	**At 30 June 2013 £m**	At 30 June 2012 £m	At 31 December 2012 £m
Non-current assets				
Intangible assets	9	**2,739.0**	2,177.6	2,146.1
Property, plant and equipment	10	**2,500.7**	2,281.4	2,323.4
Investment property		**170.8**	143.7	159.9
Equity accounted investments		**40.9**	39.4	34.2
Financial investments	14	**634.2**	930.8	1,086.1
Derivative assets[1]		**65.8**	79.7	84.0
Assets arising from insurance business	7	**0.3**	2.6	0.6
Deferred taxation asset		**2.6**	-	2.6
Other receivables[1]		**136.7**	45.3	121.9
Restricted assets[1]	8	**44.1**	39.5	44.0
Post employment benefit net assets	12	**92.2**	131.8	104.9
		6,427.3	5,871.8	6,107.7
Current assets				
Financial investments	14	**1,322.0**	1,329.7	1,165.4
Derivative assets		**0.6**	1.2	1.6
Inventories		**25.8**	20.0	19.9
Assets arising from insurance business	7	**1,461.6**	1,477.2	870.4
Trade and other receivables[1]		**535.3**	338.4	404.7
Restricted assets[1]	8	**8.8**	22.0	8.7
Cash and cash equivalents	8	**1,367.2**	1,240.7	1,255.7
		4,721.3	4,429.2	3,726.4
Total assets		**11,148.6**	10,301.0	9,834.1
Non-current liabilities				
Subordinated liabilities	15	**(925.0)**	(431.6)	(451.2)
Other interest bearing liabilities	16	**(618.2)**	(664.8)	(667.3)
Derivative liabilities[1]		**(4.0)**	(5.4)	(4.5)
Provisions under insurance contracts issued	11	**(26.4)**	(25.7)	(24.8)
Post employment benefit net liabilities	12	**(63.5)**	(64.4)	(62.5)
Provisions for liabilities and charges		**(26.4)**	(26.4)	(26.3)
Deferred taxation liabilities		**(175.9)**	(186.1)	(158.3)
Other payables[1]		**(20.1)**	(9.8)	(19.9)
		(1,859.5)	(1,414.2)	(1,414.8)
Current liabilities				
Subordinated liabilities	15	**(20.2)**	(16.2)	(6.0)
Other interest bearing liabilities	16	**(81.8)**	(20.9)	(21.4)
Derivative liabilities[1]		**(5.6)**	(3.1)	(3.7)
Provisions under insurance contracts issued	11	**(2,958.7)**	(3,069.2)	(2,355.2)
Other liabilities under insurance contracts issued		**(42.9)**	(41.7)	(16.8)
Provisions for liabilities and charges		**(119.8)**	(55.0)	(58.5)
Current taxation liabilities		**(171.2)**	(128.1)	(157.4)
Trade and other payables[1]		**(1,056.7)**	(886.9)	(982.4)
		(4,456.9)	(4,221.1)	(3,601.4)
Total liabilities		**(6,316.4)**	(5,635.3)	(5,016.2)
Net assets		**4,832.2**	4,665.7	4,817.9
Equity				
Property revaluation reserve		**632.0**	644.5	631.9
Income and expenditure reserve		**3,703.4**	3,324.3	3,544.9
Cash flow hedge reserve		**29.7**	28.8	25.1
Foreign exchange translation reserve		**439.4**	632.9	590.1
Equity attributable to Bupa		**4,804.5**	4,630.5	4,792.0
Equity attributable to non-controlling interests		**27.7**	35.2	25.9
Total equity		**4,832.2**	4,665.7	4,817.9

[1] These items have been restated, further details are provided in note 1.1.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30 June 2013

	Notes	**For six months ended 30 June 2013 £m**	For six months ended 30 June 2012 [1] £m	For year ended 31 December 2012 [1] £m
Operating activities				
Profit before taxation expense		**218.0**	256.0	585.1
Adjustments for:				
Net financial income		**(7.3)**	(24.9)	(54.8)
Depreciation, amortisation and impairment		**104.4**	93.1	196.8
Other non-cash items		**13.1**	(2.3)	1.2
Changes in working capital and provisions:				
Increase in provisions and other liabilities under insurance contracts issued		**632.5**	987.1	260.3
Increase in assets under insurance contracts issued		**(578.9)**	(659.5)	(47.3)
Change in net pension asset/liability		**0.3**	1.1	(22.4)
(Increase) in trade and other receivables, and other assets		**(111.1)**	(33.8)	(74.1)
Increase / (decrease) in trade and other payables, and other liabilities		**5.9**	(11.0)	26.6
Cash generated from operations		**276.9**	605.8	871.4
Income taxation paid		**(38.6)**	(62.5)	(121.1)
Increase in cash held in restricted assets		**(0.2)**	(16.2)	(7.4)
Net cash generated from operating activities		**238.1**	527.1	742.9
Cash flows from investing activities				
Acquisition of subsidiary companies, net of cash acquired		**(495.9)**	(2.9)	(21.6)
Acquisition of equity accounted investments		**(2.1)**	(2.0)	(3.7)
Acquisition of non-controlling interest in subsidiary company		**-**	-	(3.9)
Dividends received from associates		**1.8**	-	-
Disposal of equity accounted investments		**-**	7.1	25.1
Purchase of intangible assets		**(25.4)**	(28.7)	(67.6)
Purchase of property, plant and equipment		**(84.1)**	(81.7)	(178.0)
Proceeds from sale of property, plant and equipment		**0.7**	6.6	4.2
Purchase of investment property		**(7.0)**	(5.9)	(19.3)
Purchase of financial investments, excluding deposits with credit institutions		**(37.5)**	(37.5)	(149.9)
Proceeds from sale of financial investments, excluding deposits with credit institutions		**44.1**	148.0	222.5
Net withdrawal from / (investment into) deposits with credit institutions		**284.8**	(471.4)	(425.0)
Interest received		**24.7**	36.4	58.8
Net cash (used in) investing activities		**(295.9)**	(432.0)	(558.4)
Cash flow from financing activities				
Proceeds from issue of interest bearing liabilities		**493.5**	0.4	-
Repayment of interest bearing liabilities		**(290.7)**	(6.8)	(26.7)
Interest paid		**(32.1)**	(26.8)	(65.8)
(Payments for) / receipts from hedging instruments		**(11.6)**	10.5	10.6
Dividends paid to non-controlling interests		**(0.2)**	(0.2)	(7.1)
Net cash generated from / (used in) financing activities		**158.9**	(22.9)	(89.0)
Net increase in cash and cash equivalents		**101.1**	72.2	95.5
Cash and cash equivalents at beginning of period		**1,253.4**	1,183.0	1,183.0
Effect of exchange rate changes		**4.7**	(14.6)	(25.1)
Cash and cash equivalents at end of period	8	**1,359.2**	1,240.6	1,253.4

[1] The statement of cash flows has been restated, further details are provided in note 1.1.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2013

	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 2013							
At beginning of period	631.9	3,544.9	25.1	590.1	4,792.0	25.9	4,817.9
Retained profit for the period	-	169.2	-	-	169.2	0.9	170.1
Other comprehensive (expense) / income							
Unrealised loss on revaluation of property	(0.1)	-	-	-	(0.1)	-	(0.1)
Actuarial losses on pension schemes	-	(13.5)	-	-	(13.5)	-	(13.5)
Foreign exchange translation differences	0.2	-	-	(136.9)	(136.7)	1.1	(135.6)
Net losses on hedge of net investment in overseas					-		
subsidiary companies	-	-	-	(14.4)	(14.4)	-	(14.4)
Cash flow hedge on acquisition of subsidiary companies	-	-	4.0	-	4.0	-	4.0
Change in fair value of underlying derivative of cash flow hedge	-	-	0.9	-	0.9	-	0.9
Taxation credit / (charge) on income and expense					-		
recognised directly in other comprehensive income	-	2.8	(0.3)	0.6	3.1	-	3.1
Other comprehensive (expense) / income for the period, net of taxation	0.1	(10.7)	4.6	(150.7)	(156.7)	1.1	(155.6)
Total comprehensive income / (expense) for the period	0.1	158.5	4.6	(150.7)	12.5	2.0	14.5
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Total contributions to non-controlling interests for the period	-	-	-	-	-	(0.2)	(0.2)
At end of period	**632.0**	**3,703.4**	**29.7**	**439.4**	**4,804.5**	**27.7**	**4,832.2**
For the six months ended 30 June 2012							
At beginning of period	642.7	3,075.9	29.0	662.7	4,410.3	33.6	4,443.9
Retained profit for the period [1]	-	193.2	-	-	193.2	2.5	195.7
Other comprehensive (expense) / income							
Realised revaluation surplus on disposal of property	(1.4)	1.4	-	-	-	-	-
Actuarial gains on pension schemes [1]	-	66.4	-	-	66.4	-	66.4
Foreign exchange translation differences	(1.1)	-	-	(35.3)	(36.4)	(0.6)	(37.0)
Net gains on hedge of net investment in overseas subsidiary companies	-	-	-	5.5	5.5	-	5.5
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.3)	-	(0.3)	-	(0.3)
Taxation (charge) / credit on income and expense recognised directly in other comprehensive income	4.3	(12.6)	0.1	-	(8.2)	(0.1)	(8.3)
Other comprehensive income / (expense) for the period, net of taxation	1.8	55.2	(0.2)	(29.8)	27.0	(0.7)	26.3
Total comprehensive income / (expense) for the period	1.8	248.4	(0.2)	(29.8)	220.2	1.8	222.0
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Total contributions to non-controlling interests for the period	-	-	-	-	-	(0.2)	(0.2)
At end of period	**644.5**	**3,324.3**	**28.8**	**632.9**	**4,630.5**	**35.2**	**4,665.7**
For the year ended 31 December 2012							
At beginning of year	642.7	3,075.9	29.0	662.7	4,410.3	33.6	4,443.9
Retained profit for the financial year[1]	-	439.7	-	-	439.7	10.5	450.2
Other comprehensive (expense) / income							
Unrealised loss on revaluation of property	(17.0)	-	-	-	(17.0)	-	(17.0)
Realised revaluation surplus on disposal of property	(1.3)	1.3	-	-	-	-	-
Actuarial gains on pension schemes [1]	-	17.0	-	-	17.0	-	17.0
Foreign exchange translation differences	(1.6)	-	-	(77.7)	(79.3)	(0.8)	(80.1)
Net gains on hedge of net investment in overseas subsidiary companies	-	-	-	5.3	5.3	-	5.3
Cash flow hedge on acquisition of subsidiary companies	-	-	(2.2)	-	(2.2)	-	(2.2)
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.5)	-	(0.5)	(0.3)	(0.8)
Acquisition of subsidiary companies attributable to non-controlling interest	-	-	-	-	-	5.8	5.8
Acquisition of non-controlling interest in subsidiary company	-	12.0	(1.4)	-	10.6	(15.9)	(5.3)
Taxation credit / (charge) on income and expense recognised directly in other comprehensive income	9.1	(1.0)	0.2	(0.2)	8.1	0.1	8.2
Other comprehensive (expense) / income for the year, net of taxation	(10.8)	29.3	(3.9)	(72.6)	(58.0)	(11.1)	(69.1)
Total comprehensive income / (expense) for the year	(10.8)	469.0	(3.9)	(72.6)	381.7	(0.6)	381.1
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(7.1)	(7.1)
Total contributions to non-controlling interests for the year	-	-	-	-	-	(7.1)	(7.1)
At end of year	**631.9**	**3,544.9**	**25.1**	**590.1**	**4,792.0**	**25.9**	**4,817.9**

[1] The Statement of Changes in Equity has been restated, further details are provided in note 1.1.

1 Financial information and basis of preparation

1.1 Basis of preparation

The British United Provident Association ('Bupa' or 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 2013 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 Bupa on 6 August 2013.

These condensed consolidated half year financial statements have been prepared in accordance with Disclosure and Transparency Rules of the Prudential Regulation Authority (formerly known as 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 2012, which, with the the exception of International Accounting Standard 19: Employee Benefits (Amendments), effective for periods beginning on or after 1 January 2013, have been prepared in accordance with the International Financial Reporting Standards as adapted by the EU ('IFRS').

The annual financial statements for the financial year ended 31 December 2012 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. The comparative figures for the financial year ended 31 December 2012 and the financial period ended 30 June 2012 are consistent with the Group's annual financial statements and half year financial statements respectively, except for the following restatements:

Restatement of financial information for June and December 2012
IAS 19 Employee Benefits (Amendment) is applicable for financial periods beginning on or after 1 January 2013, and is applicable retrospectively for the year ended 31 December 2012 and the period ended 30 June 2012. The amendment does not change the total return on defined benefit plan assets, but it does change the split between what is recognised in the income statement and what is recognised in other comprehensive income by changing the way the interest expense is calculated in the income statement. A number of new disclosures are also required. The impact of application of this amendment to 30 June and 31 December profits is an increase of £0.7m and £1.5m respectively, within other operating expenses, with a corresponding decrease in other comprehensive income. There is a net nil impact to Group net assets.

During the first half of 2013, the profit measure for the segmental disclosure has been redefined to reflect underlying profit by Market Unit. Previously this measure has been widely used by the Group for comparability of the results by adjusting profit before tax for impairment and amortisation of intangible assets arising on business combinations, net revaluation and impairment charges on property, gains or losses on return seeking assets, and one-off items. To align the Market Units to this measure, the adjustments have been reflected at a Market Unit level and the segmental disclosure has been restated accordingly in note 2.

Restatement of 30 June 2012 financial information
Restricted assets has been split from other financial assets (2012 HY: £61.5m) and restated into current and non-current restricted assets (£22.0m and £39.5m respectively) for greater clarity.

The 30 June 2012 balance sheet has also been re-presented to disclose Derivative assets (2012 HY: £80.9m) and derivative liabilities (2012 HY: £8.5m) separately from trade and other receivables and trade and other payables respectively.

Restatement of 31 December 2012 financial information
Underlying profit for 31 December 2012 has been re-presented to the current underlying profit definition resulting in an increase of £4.0m.

1.2 Going concern

The directors conducted a detailed assessment on the Group's going concern status based on its current position and forecast results. They have concluded that the Group has adequate resources to operate for the foreseeable future. In making this assessment, the directors have considered the discussions with its relationship banks as well as forecasts which take account of reasonably possible changes in trading performance, the successful subordinated debt issue in April 2013, and recently completed acquisitions.

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 5 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 18 to 20.

The Group's £800m committed bank facility, which was renegotiated in October 2012 and matures on October 2017, was undrawn at 30 June 2013 with the exception of £6.4m of outstanding letters of credit for general business purposes.

1.3 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 expenses. 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 2012.

1.4 Accounting policies

Except as described in note 1.1 above, the accounting policies applied in the condensed consolidated half year financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2012.

2 Operating segments

During the second half of 2012, the Group underwent a reorganisation and is now managed through five Market Units based on our geographic locations and customers. Management monitors the operating results of the Market Units separately to access performance and make decisions about the allocation of resources.

Reportable segments	Services and products
Australia and New Zealand	Health insurance, health assessments, health coaching, international health cover, optical care and dental care sold in the Australian market Nursing, residential and respite care in Australia and New Zealand Retirement villages and telecare services within New Zealand
UK	Health insurance and related products Nursing, residential and respite care Management and operation of a private hospital providing medical and ancillary services to patients Home healthcare products and services
Spain and Latin America Domestic	Health insurance and related products sold in domestic markets within Spain Management and operation of hospitals and dental centres in Spain providing medical and ancillary services to patients Provision of nursing, residential and respite care in Spain
International Development Markets	Domestic health insurance and related products within Saudi Arabia, India, Hong Kong, Thailand and China Care management and analytic services in the USA Medical subscription and healthcare provision business in Poland
International PMI	International health insurance to individuals, small businesses and corporate customers

Segmental information

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	International PMI £m	Total £m
For the six months ended 30 June 2013						
(i) Revenues						
Total revenues for reportable segments	1,910.5	1,257.1	681.7	153.0	464.8	4,467.1
Inter segment elimination	-	(1.8)	-	(0.4)	-	(2.2)
External revenues for reportable segments	1,910.5	1,255.3	681.7	152.6	464.8	4,464.9
Net reclassifications to other expenses or financial income and expense						(0.1)
Unallocated central revenues						-
Consolidated total revenues						**4,464.8**
(ii) Segment result						
Underlying profit for reportable segments[1]	115.9	59.2	46.0	(5.1)	51.0	267.0
Underlying unallocated central expenses						(8.1)
Consolidated underlying profit before taxation						**258.9**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations						(16.9)
Net property revaluation and impairment charge						4.3
Restructuring costs						(4.3)
Costs associated with acquisition of subsidiary companies						(18.0)
Losses on return seeking assets, net of hedging						(7.2)
Other						1.2
						(40.9)
Consolidated profit before taxation expense						**218.0**

[1] Underlying profit for reportable segments includes share of post taxation results of equity accounted investments.

2 Operating segments (continued)

Segmental information (continued)

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	International PMI £m	Total £m
For the six months ended 30 June 2012						
(i) Revenues						
Total revenues for reportable segments	1,727.7	1,252.7	598.9	114.8	423.9	4,118.0
Inter segment elimination	-	(0.3)	-	(0.4)	-	(0.7)
External revenues for reportable segments	1,727.7	1,252.4	598.9	114.4	423.9	4,117.3
Net reclassifications to other expenses or financial income and expense						0.5
Unallocated central revenues / expense						0.2
Consolidated total revenues						**4,118.0**
(ii) Segment result						
Underlying profit for reportable segments[1]	127.6	26.4	52.8	1.9	44.0	252.7
Underlying unallocated central expenses						2.7
Consolidated underlying profit before taxation[2]						**255.4**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations						(13.8)
Net property revaluation and impairment charge						3.6
Gains on return seeking assets, net of hedging						11.5
Other						(0.7)
						0.6
Consolidated profit before taxation expense[2]						**256.0**
For the year ended 31 December 2012						
(i) Revenues						
Total revenues for reportable segments	3,554.0	2,529.4	1,190.8	228.2	872.0	8,374.4
Inter segment elimination	-	(0.6)	-	(0.9)	-	(1.5)
External revenues for reportable segments	3,554.0	2,528.8	1,190.8	227.3	872.0	8,372.9
Net reclassifications to other expenses or financial income and expense						0.9
Unallocated central revenues						0.1
Consolidated total revenues						**8,373.9**
(ii) Segment result						
Underlying profit for reportable segments[1,3]	272.5	118.5	117.4	(1.3)	100.7	607.8
Underlying unallocated central expenses						1.7
Consolidated underlying profit before taxation[2]						**609.5**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations						(26.8)
Net property revaluation and impairment charge						(5.1)
Restructuring costs						(17.9)
Costs associated with acquisition of subsidiary companies						(4.0)
Gains on return seeking assets, net of hedging						26.1
Other						3.3
						(24.4)
Consolidated profit before taxation expense[2]						**585.1**

[1] Underlying profit for reportable segments includes share of post taxation results of equity accounted investments.
[2] June and December 2012 have been restated in accordance with IAS19, further details are provided in note 1.1.
[3] Underlying profit in December 2012 has been restated, further details are provided in note 1.1.

3 Other income and charges

	For six months ended 30 June 2013 £m	For six months ended 30 June 2012 £m	For year ended 31 December 2012 £m
Net gain on sale of equity accounted investments	**-**	2.6	8.7
Deficit on revaluation of property	**-**	-	(0.7)
Impairment of property	**-**	-	(11.0)
Net gain / (loss) on disposal of property, plant and equipment	**0.2**	0.9	(0.2)
Total other income and charges	**0.2**	3.5	(3.2)

4 Financial income

	For six months ended 30 June 2013 £m	For six months ended 30 June 2012 £m	For year ended 31 December 2012 £m
Interest income:			
Loans and receivables	**38.2**	41.6	84.4
Investments held to maturity	**1.1**	2.8	6.4
Investments designated at fair value through profit or loss	**1.4**	1.0	1.7
Net realised gains on financial investments designated at fair value through profit or loss	**3.2**	-	-
Net (decrease) / increase in fair value:			
Investments designated at fair value through profit or loss	**(14.2)**	11.9	27.1
Investment property	**4.3**	3.6	6.6
Net foreign exchange gain / (loss)	**11.4**	(1.7)	(1.6)
Total financial income	**45.4**	59.2	124.6

Included within financial income is a net loss after hedging on the Group's return seeking asset portfolio of £7.2m (2012 HY: net gain of £11.5m; 2012 FY: net gain of £26.1m).

5 Financial expense

	For six months ended 30 June 2013 £m	For six months ended 30 June 2012 £m	For year ended 31 December 2012 £m
Interest expense on financial liabilities at amortised cost	**36.9**	33.6	68.4
Finance charges in respect of finance leases	**0.1**	-	0.1
Other financial expenses	**1.1**	0.7	1.3
Total financial expense	**38.1**	34.3	69.8

6 Taxation expense

The group's effective tax rate for the period was 22.0% (2012 FY: 23.1%), which is lower than the UK corporation tax rate of 23% and the Group's blended rate of 26.5% due to recognition of prior year tax credits. The Group's effective rate for the period of 22.0% is lower than the 2012 full year effective tax rate of 23.1% mainly due to the reduction in the UK corporation tax rate from 24% to 23%.

7 Assets arising from insurance business

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Non-current			
Reinsurers' share of insurance provisions	**-**	0.7	-
Deferred acquisition costs	**0.3**	1.9	0.6
Total non-current assets arising from insurance business	**0.3**	2.6	0.6
Current			
Insurance debtors	**1,263.7**	1,199.3	692.5
Reinsurers' share of insurance provisions	**23.9**	23.6	13.6
Deferred acquisition costs	**93.3**	83.2	68.7
Medicare rebate	**70.9**	147.8	73.8
Risk Equalisation Trust Fund recoveries	**9.8**	23.3	21.8
Total current assets arising from insurance business	**1,461.6**	1,477.2	870.4
Total assets arising from insurance business	**1,461.9**	1,479.8	871.0

8 Cash and cash equivalents and restricted assets

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Cash at bank and in hand	**500.6**	515.8	447.7
Short-term deposits	**866.6**	724.9	808.0
Cash and cash equivalents	**1,367.2**	1,240.7	1,255.7
Bank overdrafts	**(8.0)**	(0.1)	(2.3)
Cash and cash equivalents in the statement of cash flows	**1,359.2**	1,240.6	1,253.4
Non-current restricted assets[1]	**44.1**	39.5	44.0
Current restricted assets[1]	**8.8**	22.0	8.7
Total restricted assets	**52.9**	61.5	52.7

[1] These items have been restated for 30 June 2012, further details are provided in note 1.1.

9 Intangible assets

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Net book value at beginning of period	**2,146.1**	2,208.8	2,208.8
Assets arising on business combinations	**747.1**	2.6	10.4
Additions	**25.5**	28.6	67.6
Amortisation for the period	**(47.0)**	(41.3)	(83.1)
Impairment loss	**-**	-	(6.3)
Other	**0.7**	0.1	1.1
Disposals	**(3.5)**	-	(0.9)
Foreign exchange	**(129.9)**	(21.2)	(51.5)
Net book value at end of period	**2,739.0**	2,177.6	2,146.1

The net book value of intangible assets comprises:

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Goodwill	**2,056.0**	1,628.1	1,607.2
Computer software	**194.0**	191.4	195.3
Customer relationships	**254.3**	188.7	176.1
Other	**234.7**	169.4	167.5
Net book value at end of period	**2,739.0**	2,177.6	2,146.1

Intangible assets of £2,739.0m (2012 HY: £2,177.6m; 2012 FY: £2,146.1m) includes £489.0m (2012 HY: £357.0m; 2012 FY: £343.6m) which is attributable to other intangible assets arising on business combinations (included within computer software, customer relationships and other) as follows:

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Customer relationships	**254.3**	188.7	176.1
Bed licences (within Bupa Care Services Australia)	**110.2**	99.3	101.3
Brands and trademarks	**58.5**	0.6	0.6
Licences to operate care homes	**45.5**	47.0	45.9
Leases	**11.8**	12.5	12.1
Distribution networks	**5.3**	7.5	6.3
Order backlogs	**2.1**	-	-
Present valuation of acquired in-force business	**1.3**	1.4	1.3
Total	**489.0**	357.0	343.6

9 Intangible assets (continued)

Goodwill impairment

Goodwill is tested at least annually for impairment in accordance with IAS 36: Impairment of assets and IAS 38: Intangible assets. Impairment testing was last performed as at 31 December 2012. As required by IAS 34: Interim financial reporting, an in depth review for indicators of impairment of goodwill was carried out as at 30 June 2013 which resulted in no impairments.

The following table summarises goodwill by CGU:

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Bupa Australia	**1,238.1**	967.0	948.3
Bupa Care Services Australia	**289.8**	312.6	308.3
Bupa Care Services UK	**178.2**	178.2	178.2
LUX MED	**172.0**	-	-
Bupa International	**59.3**	59.3	59.3
Bupa Care Services New Zealand	**34.5**	34.6	34.5
Sanitas PMI	**28.4**	24.0	24.3
Bupa Home Healthcare	**20.7**	20.5	20.7
The Bupa Cromwell Hospital	**16.2**	16.2	16.2
Bupa Latin America	**8.5**	8.5	8.5
Other	**10.3**	7.2	8.9
Total	**2,056.0**	1,628.1	1,607.2

10 Property, plant and equipment

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Net book value at beginning of period	**2,323.4**	2,272.5	2,272.5
Additions through business combinations	**179.4**	-	32.7
Additions	**85.1**	77.6	178.9
Depreciation charge for the period	**(57.4)**	(51.8)	(107.4)
Other	**(0.8)**	(0.1)	(1.1)
Disposals	**(0.5)**	(5.6)	(3.6)
Revaluations	**(0.1)**	-	18.7
Impairments	**-**	-	(47.8)
Foreign exchange	**(28.4)**	(11.2)	(19.5)
Net book value at end of period	**2,500.7**	2,281.4	2,323.4

11 Provisions under insurance contracts issued

	At 30 June 2013			At 30 June 2012			At 31 December 2012		
	Gross £m	**Re-insurance £m**	**Net £m**	Gross £m	Re-insurance £m	Net £m	Gross £m	Re-insurance £m	Net £m
General insurance business									
Provisions for unearned premiums	**2,110.8**	**(16.7)**	**2,094.1**	2,252.5	(11.5)	2,241.0	1,547.7	(7.5)	1,540.2
Provisions for claims	**849.8**	**(6.5)**	**843.3**	818.6	(12.0)	806.6	809.4	(5.4)	804.0
Long term business									
Provisions for life insurance benefits	**24.5**	**(0.7)**	**23.8**	23.8	(0.7)	23.1	22.9	(0.7)	22.2
Total insurance provisions	**2,985.1**	**(23.9)**	**2,961.2**	3,094.9	(24.2)	3,070.7	2,380.0	(13.6)	2,366.4
Non-current	**26.4**	**-**	**26.4**	25.7	(0.7)	25.0	24.8	-	24.8
Current	**2,958.7**	**(23.9)**	**2,934.8**	3,069.2	(23.5)	3,045.7	2,355.2	(13.6)	2,341.6
Total insurance provisions	**2,985.1**	**(23.9)**	**2,961.2**	3,094.9	(24.2)	3,070.7	2,380.0	(13.6)	2,366.4

12 Post employment benefits

The Bupa Pension Scheme has been valued as at 30 June 2013, 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 2011.

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; however, provisions are included in the balance sheet in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2013 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 2013 by an actuary employed by the Group using the same key assumptions as adopted at 30 June 2013 under IAS 19 for The Bupa Pension Scheme.

The net impact of the valuations described above is to decrease the net surplus relating to post employment schemes from £42.4m as at 31 December 2012 to a net surplus of £28.7m as at 30 June 2013.

Amounts recognised in the consolidated income statement
The amounts charged / (credited) to other operating expenses for the periods are:

	At 30 June 2013 £m	At 30 June 2012 [1] £m	At 31 December 2012 [1] £m
Current service cost	**7.2**	8.0	17.5
Interest on obligations	**24.6**	24.8	52.6
Expected return on scheme assets	**(26.5)**	(25.2)	(54.3)
Administrative expenses	**0.8**	0.9	1.8
Past service costs	**-**	-	0.2
Total amount charged to income statement	**6.1**	8.5	17.8

[1] These periods been restated, further details are provided in note 1.1.

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

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Present value of funded obligations	**(1,223.7)**	(1,070.5)	(1,165.7)
Fair value of scheme assets	**1,306.0**	1,191.7	1,260.4
Net assets of funded schemes	**82.3**	121.2	94.7
Present value of unfunded obligations	**(53.6)**	(53.8)	(52.3)
Net recognised assets	**28.7**	67.4	42.4
Represented on the balance sheet as:			
Net assets	**92.2**	131.8	104.9
Net liabilities	**(63.5)**	(64.4)	(62.5)
Net recognised assets	**28.7**	67.4	42.4

13 Business combinations

2013 acquisitions

A number of acquisitions were made during the period ended 30 June 2013, the more significant of which were Dental Corporation, Australia's largest dental business consisting of 190 dental clinics in Australia and New Zealand; LUX MED Group, the largest private healthcare provider in Poland; and 9 care homes acquired from Innovative Care Ltd in Australia. A tenth care home was acquired from Innovative Care Ltd on 1 July 2013.

Provisional details of the acquisitions made during the period ended 30 June 2013 are as follows:

	Date of acquisition	**Percentage of holdings**
Dental Corporation	31 May 2013	100%
LUX MED Group	11 April 2013	100%
Innovative Care - care homes	8 February 2013	100%
Clínica Londres	19 June 2013	100%
Maxwell - care home	28 January 2013	100%

13 Business combinations (continued)

2013 acquisitions (continued)

	Dental Corporation			LUX MED		
	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m
Intangibles	(268.2)	268.2	-	108.4	62.4	170.8
Property, plant and equipment	18.6	-	18.6	31.9	2.4	34.3
Inventories	0.8	-	0.8	0.4	-	0.4
Equity accounted investments	8.3	-	8.3	-	-	-
Financial investments	-	-	-	0.1	-	0.1
Trade and other receivables	18.0	-	18.0	13.4	-	13.4
Assets arising from insurance	-	-	-	0.4	-	0.4
Cash and cash equivalents	6.2	-	6.2	12.8	-	12.8
Other interest bearing liabilities	(99.6)	-	(99.6)	(188.1)	-	(188.1)
Deferred tax liabilities	3.0	-	3.0	(1.6)	(29.9)	(31.5)
Deferred income	-	-	-	(1.5)	-	(1.5)
Trade and other payables	(24.1)	-	(24.1)	(19.8)	-	(19.8)
Insurance liabilities	-	-	-	(0.6)	-	(0.6)
Provisions for liabilities and charges	(4.6)	-	(4.6)	(1.3)	-	(1.3)
	(341.6)	**268.2**	**(73.4)**	**(45.5)**	**34.9**	**(10.6)**
Net assets acquired			(73.4)			(10.6)
Goodwill			378.8			177.3
Consideration			**305.4**			**166.7**
Consideration satisfied by:						
Cash			246.3			166.7
Deferred			59.1			-
Total consideration paid			**305.4**			**166.7**
Purchase consideration settled in cash			246.3			166.7
Cash acquired on acquisition			(6.2)			(12.8)
Net cash outflow on acquisition			**240.1**			**153.9**

	Innovative Care			Other		
	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m
Intangibles	16.3	-	16.3	-	-	-
Property, plant and equipment	123.1	-	123.1	3.4	-	3.4
Inventories	-	-	-	0.2	-	0.2
Cash and cash equivalents	-	-	-	0.3	-	0.3
Deferred tax liabilities	0.5	-	0.5	(0.2)	-	(0.2)
Trade and other payables	(38.3)	-	(38.3)	(2.1)	-	(2.1)
Provisions for liabilities and charges	(1.6)	-	(1.6)	-	-	-
	100.0	**-**	**100.0**	**1.6**	**-**	**1.6**
Net assets acquired			100.0			1.6
Goodwill			-			3.0
Consideration			**100.0**			**4.6**
Consideration satisfied by:						
Cash			96.7			4.6
Deferred			3.3			-
Total consideration paid			**100.0**			**4.6**
Purchase consideration settled in cash			96.7			4.6
Cash acquired on acquisition			-			(0.3)
Net cash outflow on acquisition			**96.7**			**4.3**

The above tables are translated at average rates for the period ended 30 June 2013. Set out below is the calculation of goodwill using the spot rates applicable at the respective dates of acquisition.

13 Business combinations (continued)

2013 acquisitions (continued)

	Dental Corporation £m	LUX MED £m	Innovative Care £m
Net assets acquired	(70.4)	(10.8)	99.4
Goodwill	363.3	180.5	-
Consideration	**292.9**	**169.7**	**99.4**

Fair value adjustments relating to the acquisition of these subsidiaries are provisional. The fair value reviews will be finalised during the second half of 2013, but no longer than a year after the respective date of acquisition, and will include the identification and valuation of any intangible assets arising on acquisition. Accordingly, the value of any acquired intangible assets and goodwill are liable to change.

The total value of intangible assets acquired through business combinations in the period to 30 June 2013 was £187.1m, of which £22.8m was included within the net assets of the acquired businesses and £164.4m arose on acquisition and is analysed below:

	LUX MED £m
Brand and Trademarks	60.6
Customer relationships	99.4
Order backlog	3.8
Other	0.6
	164.4

In the period from the respective dates of acquisition to the 30 June 2013, the total amount contributed to the Group's revenue and profit, by the acquired entities was:

	Revenue £m	Profit before tax £m
Dental Corporation	15.2	1.0
LUX MED	43.7	3.8
Innovative Care	20.0	2.3

If all acquisitions had occurred on 1st January 2013, the total amount contributed to the Group's revenue and profit would have been:

	Revenue £m	Profit before tax £m
Dental Corporation	108.5	6.4
LUX MED	86.8	6.9
Innovative Care	25.6	2.0

Other

Other transactions in the period include the the purchase of 100% of the share capital of Clínica Londres, the second largest wellness provider in Spain, who operate 14 clinics. As a result of the acquisition of Clínica Londres £2.9m of goodwill has been recognised.

2012 acquisitions

Goodwill in relation to prior period acquisitions has increased by £0.9m due to the receipt of previously zero-valued contingent consideration on the acquisition of Torrejón hospital in Spain, which completed on 5 December 2012. The acquisition accounting for Torrejón is ongoing and will be finalised no later than 12 months after acquisition date.

14 Financial investments

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Non-current			
Designated at fair value through profit or loss			
Debt securities - government bonds	**11.0**	11.6	11.8
Debt securities - corporate bonds	**123.2**	69.7	109.9
Shares and other variable yield securities	**140.7**	146.9	136.9
Held to maturity			
Medium-term notes	**100.0**	200.9	200.8
Debt securities - corporate bonds	**14.3**	-	1.7
Loans and receivables			
Debt securities - corporate bonds	**77.8**	74.0	75.9
Deposits with credit institutions	**167.2**	427.7	549.1
Total non-current financial investments	**634.2**	930.8	1,086.1
Current			
Designated at fair value through profit or loss			
Debt securities - government bonds	**10.8**	9.8	10.9
Debt securities - corporate bonds	**1.6**	29.5	1.5
Shares and other variable yield securities	**-**	-	20.0
Held to maturity			
Medium term notes	**100.2**	50.1	-
Discounted notes	**1.3**	-	2.3
Debt securities - government bonds	**-**	0.5	-
Debt securities - corporate bonds	**39.6**	-	53.7
Loans and receivables			
Deposits with credit institutions	**1,158.5**	1,239.8	1,067.7
Other loans	**10.0**	-	9.3
Total current financial investments	**1,322.0**	1,329.7	1,165.4
Total financial investments	**1,956.2**	2,260.5	2,251.5

15 Subordinated liabilities

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Non-current			
Callable subordinated perpetual guaranteed bonds	**330.0**	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	**64.2**	79.8	84.0
Callable subordinated perpetual guaranteed bonds at carrying value	**394.2**	409.8	414.0
10.5% subordinated guaranteed bonds due 2018	**3.9**	3.9	3.9
Other subordinated debt due 2022	**32.7**	-	33.3
5.0% subordinated unguaranteed bonds due 2023	**494.2**	-	-
Other subordinated debt due 2024	**-**	17.9	-
	925.0	431.6	451.2
Current			
Callable subordinated perpetual guaranteed bonds	**16.0**	16.0	6.0
10.5% subordinated guaranteed bonds due 2018	**0.2**	0.2	-
5.0% subordinated unguaranteed bonds due 2023	**4.0**	-	-
	20.2	16.2	6.0
Total subordinated liabilities	**945.2**	447.8	457.2

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

The total fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, is £410.2m (2012 HY: £425.8m, 2012 FY: £420.0m).

5.0% subordinated unguaranteed bonds due 2023
On 25 April 2013, Bupa Finance plc issued £500.0m of unguaranteed subordinated bonds which mature on 25 April 2023. Interest payable on the bonds is 5.0% per annum.

16 Other interest bearing liabilities

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Non-current			
Senior unsecured bonds	**349.2**	348.5	348.7
Secured loans	**233.9**	233.8	233.8
Bank loans	**31.5**	28.6	31.1
Debenture stock	**-**	51.2	51.1
Finance lease liabilities	**3.6**	2.7	2.6
	618.2	664.8	667.3
Current			
Senior unsecured bonds	**15.8**	12.3	12.3
Secured loans	**4.1**	4.1	4.1
Bank loans	**1.3**	1.2	0.3
Debenture stock	**52.1**	3.0	2.1
Finance lease liabilities	**0.5**	0.2	0.2
Bank overdrafts	**8.0**	0.1	2.4
	81.8	20.9	21.4
Total interest bearing liabilities	**700.0**	685.7	688.7

BUPA
Statement of Directors' responsibilities
for the six months ended 30 June 2013

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 2012.

By order of the Board

Stuart Fletcher	Evelyn Bourke
Chief Executive Officer	Chief Financial Officer

6 August 2013

BUPA
Independent review report to The British United Provident Association Limited from KPMG Audit Plc
for the six months ended 30 June 2013

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 2013 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 Conduct Authority ("the UK FCA"), 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 2013 are not prepared, in all material respects, in accordance with:

- IAS 34 as adopted by the EU;
- and the DTR of the UK FCA, 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

6 August 2013