Bupa: half year statement for the six months ended 30 June 2015

CONTINUED GLOBAL GROWTH

HIGHLIGHTS

- Revenue £4.9bn, up 7% at constant exchange rates (CER)[1]; up 3% at actual exchange rates (AER)
- Underlying profit[2] before taxation £253.3m up 2% at CER (2014 HY: £248.1m); down 3% at AER (2014 HY: £259.8m)
- Statutory profit before taxation £255.4m down 4% at AER (2014 HY: £266.6m)
- 25.3m customers, up 14%, including 5.4m from joint ventures and associates (2014 HY: 22.2m, 2014 FY: 28.7m)
- Net cash flow from operations of £453.7m down 16% at AER (2014 HY: £542.9m)

Stuart Fletcher, CEO of Bupa, commented:

"We've made steady progress in the first half of 2015, despite a challenging backdrop, delivering revenue and underlying profit growth at CER and maintaining strong market positions underpinned by a robust balance sheet. This demonstrates the benefit of our diverse footprint spanning multiple geographies across health insurance and healthcare provision. Looking forward, while market conditions remain challenging in a number of our markets, our customer focus, international scale, market leading positions, and strong financial management mean we are positioned to deliver continued revenue and profit growth."

Market Unit performance

- Revenue growth in our largest Market Units: Australia and New Zealand (up 9%); the UK (up 3%); and Spain and Latin America (up 17%). Underlying profits are down in Australia and New Zealand (down 8%) due to a non-recurring benefit in 2014, following a change in regulatory requirements, and in the UK (down 10%) reflecting market challenges. We continue to focus on improving customer experience and are working to address increasing affordability pressures.
- Revenue growth of 6% in International Development Markets (IDM), with particular strength in Poland and Hong Kong. We are seeing strong sales growth across the Market Unit's insurance businesses, and are benefiting from our distribution partnerships.
- In Bupa Global, following our 2014 decision to exit non-strategic geographies and re-price a number of loss-making corporate accounts, underlying profit increased 24% despite the decline in revenue of 6%.

Operational highlights

- Bupa Chile integration completed.
- Launched new tiered international health insurance products in the UK, Hong Kong, Mexico and Chile.
- Ten-year distribution agreement with Hang Seng Bank in Hong Kong performing well.
- Launched Bupa Boost in the UK, a digital platform designed for employers to engage their people in their personal health and wellbeing.
- Expansion in dental with 12 new centres in Australia, six in the UK, and three in Spain, bringing our total to 426 globally.
- Preparation for Solvency II is well underway and demonstrates that we will be well capitalised under the new regime.
- In July we acquired Magodent, a specialist oncology provider in Poland that will strengthen LUX MED's ability to offer end-to-end cancer care.

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[1] Constant Exchange Rates (CER) are used to aid comparison and provide clarity on trading performance. All figures presented are CER unless otherwise stated.

[2] Underlying profit is based on reported profit before taxation expense, adjusted for non-underlying items to reflect trading performance (see Financial Review, non-underlying profit items, for further details). Group underlying profit includes central expenses and net financial expense which have not been allocated to Market Units.

Financial position

- o Strong capital position maintained with 321% coverage of Insurance Groups Directive (IGD) capital requirement (FY 2014: 319%).
- o Leverage ratio steady at 28.0% in the first half of the year (2014 FY 27.6%, HY 31.5%).
- o Key credit ratings maintained with Fitch (A-) and Moody's (Baa2).
- o Statutory profit has been adversely affected by foreign exchange losses primarily on the retranslation of our US dollar liabilities as a result of the strengthening of the dollar against sterling.
- o Net cash generated from operating activities of £453.7m remains strong; £89.2m reduction reflects non-recurrence of significant receipts in the first half of 2014, lower cash flows in the first half of 2015 following re-pricing in Bupa Global of a number of loss-making accounts and adverse foreign exchange impacts.

Enquiries

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About Bupa

Bupa's purpose is longer, healthier, happier lives.

As a leading global health and care company, we offer health insurance, medical subscription schemes and other health and care funding products; we run care homes, retirement and care villages, primary care, diagnostic and wellness centres, hospitals and dental clinics. We also provide workplace health services, home healthcare, health assessments and long-term condition management services.

Approximately 72% of Bupa's revenue is from health insurance, with the balance coming from healthcare provision. This includes our 15 hospitals, 318 clinics, 445 care homes and 32 retirement villages, 426 dental centres, and 32 optical outlets.

We have 29 million[3] customers in 190 countries in 2014. With no shareholders, we reinvest our profits to provide more and better healthcare and fulfil our purpose.

We employ almost 80,000[4] people, principally in the UK, Australia, Spain, Poland, New Zealand and Chile, as well as Saudi Arabia, Hong Kong, India, Thailand and the USA.

For more information, visit www.bupa.com.

[3] 28.7m customers at 2014 year end. So far this year, we have 25.3m customers
[4] Figure at 2014 year end.

CEO'S REVIEW – CONTINUED GROWTH STRENGTHENING OUR POSITION AS A GLOBAL HEALTH AND CARE COMPANY

We have made steady progress in the first half with revenue up 7% at CER at £4.9bn and underlying profit at £253.3m, up 2% at CER despite challenging market conditions in Australia, the UK and Spain. Statutory profit is down 4% at AER primarily driven by the impact of foreign exchange movements.[5]

We are investing in the fundamentals to build our platform for growth including improving operating effectiveness, managing costs, and building sales capabilities and distribution partnerships. Bupa Aged Care Australia is seeing increased efficiency from its investment in a repeatable model across its care homes. We are experiencing increased sales in the UK corporate and SME health insurance sectors. Profit growth in Spain and Latin America is largely driven by a reduction in operating costs in Sanitas health insurance. In IDM and Bupa Global, we are expanding the reach of our products through new distribution channels. As a result of our strong focus on reducing costs in Bupa Global, operating expenses have reduced year on year, notwithstanding our investment in organisational change and operational effectiveness.

We remain focused on innovation and delivering improved customer experience. So far this year, we have launched:

- Our new tiered international health insurance products to individuals in the UK, Mexico, Hong Kong and Chile, allowing customers to tailor their level of cover to their healthcare needs, providing greater simplicity and control;
- An expansion of Bupa Medical Visa Services to include medicals for Australians travelling to Canada or New Zealand;
- Bupa Boost, a digital platform for UK employers to engage their entire workforces in health and wellbeing;
- Bupa Fundamental Health Insurance, a new entry-level insurance product for the UK, to meet demand for more affordable health insurance[6];
- Sanitas Global Care, a worldwide insurance product aimed exclusively at companies in Spain;
- Sanitas Profesionales, offering both complete and customised cover for Spanish entrepreneurs and the self-employed;
- A series of fee-for-service clinics under the Profemed brand, in Poland, offering a range of services including sports and rehabilitation services, dental treatment and aesthetic medicine.

We see workplaces as a key way to engage millions more people in their health and wellbeing. In 2014, we established the global Chief Medical Officer Network, and the launch in April 2015 brought together CMOs from a range of sectors including technology, pharmaceutical, financial services and FMCG[7]. In May, we announced a new partnership with the NCD Alliance – a network of 2,000 organisations working to prevent diseases such as cancer, diabetes and heart disease – to encourage employers to become more active partners in their people's health and wellbeing. This complements our existing partnerships with the World Heart Federation, Union for International Cancer Control and Alzheimer's Disease International.

Delivering in a challenging operating environment

The operating environment remains challenging in many of our markets, but we continue to grow and maintain our strong market positions.

The Australian economy is growing more slowly than historically, with consumer confidence down. We are seeing increasing downgrades and discontinuances in health insurance as affordability pressures increase, price comparators who are focused on budget offerings extend their influence, the cost of care increases and competition intensifies, driving margin pressure across the industry. Despite this, we have maintained market share in our health insurance business.

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[5] Statutory profit for the period includes deferred consideration in relation to the 2007 sale of Bupa Ireland Ltd. 2014 statutory profit included a net gain from the sale of Health Dialog.
[6] Launched in July 2015.
[7] Fast Moving Consumer Goods.

While the UK health insurance market has seen an overall decline over the last decade, we are starting to see signs of growth in the corporate and SME segments. We continue to work across the sector to reform and improve affordability for customers with our drive to reduce healthcare costs, including those charged by private hospitals, a major part of total costs. The increase in Insurance Premium Tax (IPT) from November though, will add further pressure to the affordability of health insurance.

Economic conditions continue to improve in Spain and, although still a challenging environment, the economy has outperformed GDP growth forecasts and unemployment rates have fallen. However, the Spanish health insurance market had relatively low growth rates compared to historic levels while seeing significant price competition. Recent political changes have introduced some uncertainty in working with government, particularly affecting public-private partnerships (PPPs).

We are seeing regulatory reform in a number of our markets, including Poland, Hong Kong, Saudi Arabia, Chile and Thailand with growing government recognition of the need to meet the changing healthcare demands of populations, while also funding the needs of their ageing societies.

International private medical insurance remains a growth area with over 232m international migrants in the world today[8], assignments abroad expected to double over the decade[9] and an increasing number of globally-minded and mobile individuals. We anticipate these trends will drive demand for corporate and individual international private health insurance.

In aged care, public funding pressures in the UK mean that local authority fees for care services are often below the true cost of delivering care and this is compounded by the impact of inflation on operating costs. The cost of delivering care in the UK will also be adversely impacted by the recently announced move to a National Living Wage for people aged 25 and over from next year and fees from local authorities will need to increase to cover this additional cost. In New Zealand, government health policies encouraging care at home have led to lower care home occupancy across the sector. In Australia, we are mitigating the effect of the removal of dementia and payroll tax supplements implemented from 1 January 2015.

Outlook

Looking forward, while we anticipate market conditions will remain challenging, particularly in Australia, the UK, and Spain, we are confident that our international scale and market leading positions, supported by our robust balance sheet, mean we are positioned for continued revenue and profit growth.

[8] United Nations Department for Economic and Social Affairs Population Division – September 2013.
[9] PriceWaterhouseCoopers' Talent Mobility 2020 report spanning 2010 to 2020.

MARKET UNIT OVERVIEWS

Australia and New Zealand

	Revenue	Underlying Profit	Customers
HY 2015	£1,852.3m	£121.9m	5.1m
HY 2014 (CER)	£1,698.2m	£133.0m	4.7m
% growth (CER)	9%	(8)%	9%
HY 2014 (AER)	*£1,812.4m*	*£142.6m*	
% growth (AER)	*2%*	*(15)%*	

Australia and New Zealand generated good revenue growth during the period, up 9% in a challenging and competitive market. This was driven by health insurance which accounts for over 80% of revenue in the Market Unit. We are seeing sector-wide increases in downgrades and discontinuances in health insurance due to affordability pressures, resulting in margin pressure across the industry. Underlying profit declined by 8% at CER; in 2014, profit benefited from a change in regulation which enabled us to reassess the amount of money held as a risk margin against the provision for claims.

We focused on improving customer experience including developing our digital capabilities and attracting a wider section of Australia's growing multicultural population, where we see significant opportunities for the health insurance business. In care services, we are mitigating the effect of the removal of dementia and payroll tax supplements implemented earlier this year in Australia, while in New Zealand, government health policies encouraging care at home have led to lower care home occupancy across the sector.

We continue to expand our provision businesses, acquiring 12 dental practices and fully re-branding four clinics as Bupa Dental. We opened five Bupa Optical stores and two new care homes in Australia. We are also planning to open additional GP clinics in the second half of 2015. In New Zealand, we opened two new care homes and expanded a number of sites. Bupa Medical Visa Services expanded to include medical assessments in Australia for visa applicants to Canada and New Zealand. During the first half of the year, we launched Bupa Hearing in three of our retail stores in Melbourne, a pilot aimed at supporting customers dealing with hearing loss.

UK

	Revenue	Underlying Profit	Customers
HY 2015	£1,375.0m	£55.4m	3.6m
HY 2014	£1,336.6m	£61.3m	3.5m
% growth	3%	(10)%	3%

Revenue in the UK has been steady over the first half of 2015, with growth across all businesses. Despite continued challenges in the market, there has been growth in insurance customer numbers. Revenue is up 3%, driven by growth in SME and corporate health insurance products, partially offset by the continuing market decline in individual health insurance sales. Home Healthcare contract wins and growth from dental centres acquired in 2014 also made a positive contribution. Underlying profit was down with growth in home healthcare and care services offset by narrowing margins in corporate health insurance, due to lower prices and slightly higher than expected claims costs, and increased costs in staff and equipment to support growth in our clinics. Profit growth in care services benefited from Richmond Care Villages, however, local authority fee levels remain a significant issue in light of inflationary pressures on care costs. This situation will be impacted further by the recently announced move to a National Living Wage for people aged 25 and over from next year and fees from local authorities will need to increase to cover this additional cost.

We continue to adapt to meet customers' changing needs and to help meet some of the UK's biggest healthcare challenges. This includes looking for ways to improve affordability across the private health sector for the benefit of customers, but the announcement of the rise in IPT will increase the pressure on premiums. We continue to call for the sector to work together for fundamental reform, and we are seeking significant price reductions from major hospital providers for the benefit of our customers. We are expanding our dental services, investing nearly £7m in three new dental centres in Bristol, London and Essex, and acquiring an additional three new centres in London and Kent, taking our UK total to 39. Our new £3.0m flagship health and dental centre in Canary Wharf opened in August. As part of our commitment to providing even better services for older people, we have completed 19 care home refurbishments so far in 2015, with seven more underway, and plan to start up to 15 more before the end of the year. We are also constructing two new Richmond Care Villages (Witney, Oxfordshire and Aston-on-Trent, Derbyshire) with strong initial sale levels.

Spain and Latin America Domestic

	Revenue	Underlying Profit	Customers
HY 2015	£939.8m	£57.5m	4.2m
HY 2014 (CER)	£806.6m	£49.2m	3.6m
% growth (CER)	17%	17%	17%
HY 2014 (AER)	*£885.0m*	*£54.4m*	
% growth (AER)	*6%*	*6%*	

In Spain and Latin America Domestic, performance was resilient, with strong growth in revenue, customers and profit. Revenue growth was largely driven by the full six month contribution from Bupa Chile[10] and the Virgen Del Mar Hospital[11], supported by growth in Sanitas Dental. We maintained high occupancy levels in Sanitas Residencial, up 2.8% on HY 2014 as we realised the benefits of our focus on sales to the private market. Our strong focus on operational efficiency has led to a reduction in costs which, together with lower claims in Sanitas health insurance, has driven profit growth.

In Sanitas Residencial, we expanded our pioneering day care centre service, opening three new centres that offer non-residential services for older people, including therapies, rehabilitation, and leisure activities. We have also created a new family assistance service to address some of the main concerns of our hospital patients, helping them to run their daily lives and supporting their families with housework, school runs, childcare, and home delivery of medicines. This allows our patients to focus on their recovery, knowing that their families are cared for.

In Chile, we continued construction of Clínica Bupa Santiago, our new flagship hospital. This has a planned capacity of 460 beds, more than double our current capacity in Chile. We also launched Salud Global, the first tiered range of international private medical insurance products in the Chilean market, in conjunction with the Bupa Global Market Unit.

International Development Markets

	Revenue	Underlying Profit / (loss)	Customers
HY 2015	£270.2m	£10.1m	10.5m
HY 2014 (CER)	£255.0m	£(0.6)m	8.4m
% growth (CER)	6%	>100%	25%
HY 2014 (AER)	*£250.3m*	*£(0.3)m*	
% growth (AER)	*8%*	*>100%*	

Our IDM businesses performed well, increasing revenue, customers and underlying profit as we continued to develop our businesses in key growth markets. Revenue growth was primarily driven by Hong Kong and Poland, partly offset by the absence of our Health Dialog business, which was sold in March last year. Excluding the disposal of Health Dialog, we saw double digit revenue growth of 11% at AER. Revenue growth including revenue from our associate and joint venture was 21%[12]. Insurance customers increased by 28%, reflecting strong sales growth across IDM's health insurance businesses. We saw particularly strong growth in

[10] We acquired Cruz Blanca Salud (now rebranded Bupa Chile) in February 2014. HY 2014 reflected only four months' contribution from the business.
[11] We acquired Virgen Del Mar in Madrid, in September 2014. Integration is progressing well and we are investing €7m in renovating the infrastructure and upgrading equipment.
[12] While revenues from our associate and joint venture are excluded from our reported figures, customer numbers and the appropriate share of profit from these businesses are included in our reported numbers.

our Saudi Arabian associate business, Bupa Arabia, where customer numbers grew 33%, with growth in all segments: corporate, SME, and individual/family. Underlying profit growth was largely driven by a substantial performance in Bupa Arabia and the positive impact on earnings from the sale of the US operations of Health Dialog.

In Poland, we acquired Medicor, a medical company operating four health clinics in Rzeszów, the biggest city in southeastern Poland and TK-MEDYK, a diagnostic imaging company with an MRI centre in Opole, extending our geographic footprint. In July we completed the purchase of Magodent, a leading Warsaw-based oncology provider with two hospitals and an outpatient clinic. The acquisition complements LUX MED's existing capabilities and puts us in a strong position to deliver the type of coordinated oncology care which we know makes a difference to outcomes for people living with cancer.

In Hong Kong, we introduced Bupa Health Plus, a more flexible and affordable product that customers can tailor to their individual needs. We are also finalising our application with the Indian authorities to increase Bupa's shareholding in our joint venture Max Bupa, following the change to Foreign Direct Investment rules earlier this year.

Bupa Global

	Revenue	Underlying Profit	Customers
HY 2015	£479.7m	£50.9m	1.9m
HY 2014 (CER)	£510.8m	£41.0m	1.9m
% growth (CER)	(6)%	24%	Flat
HY 2014 (AER)	*£487.0m*	*£37.4m*	
% growth (AER)	*(1)%*	*36%*	

Underlying profit for Bupa Global, our international health insurance business, was up 24% due to the re-pricing of a number of loss-making corporate accounts, our 2014 decision to exit non-strategic markets and a continued focus on improving operational effectiveness and cost efficiencies. This was undertaken at a time of sustained investment in organisational change as we continued to regionalise our operations. The impact of exiting non-strategic markets, and a challenging period for new sales in certain segments, has contributed to revenue decline, despite strong renewals across all markets and segments in the first half of the year. Customer numbers have remained stable year on year, supported by growth in Hong Kong, where our health insurance products launched to Hang Seng Bank's customers in 2014 are performing well.

Bupa Global and Blue Cross Blue Shield Association[13] entered into a strategic global partnership in early 2014, creating the largest combined healthcare provider network ever formed in the IPMI market. The new global provider network became available in January 2015 through co-branded products sold outside of the US[14] to new Bupa Global customers, as well as existing customers transitioning to co-branded products throughout 2015.

In addition to launching our new tiered international health insurance products in the UK, Hong Kong, Mexico and Chile, we continue to regionalise our operations. Bupa Global Greater China is now established with customer and broker contacts migrated to the region and new sales, partnership and servicing capability in place. Bupa Global Middle East is evolving with a new local executive team in place as we look to build our position in the region.

[13] Blue Cross Blue Shield Association is a national federation of 36 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 106 million members. Bupa Global is an independent licensee of the Blue Cross Blue Shield Association.

[14] The combined Bupa Global and Blue Cross Blue Shield Association co-branded products are not available to customers in the following countries: Anguilla, Argentina, Canada, Costa Rica, British Virgin Islands, Panama, United States Virgin Islands, and Uruguay.

Bupa

Bupa is organised across five Market Units, as follows:

Australia and New Zealand

- *Bupa Health Insurance*, a leading health insurance provider in Australia, which also offers health insurance for overseas workers and visitors
- *Bupa Health Services*, our health provision business, which comprises Bupa Dental Corporation, Bupa Optical, Bupa Medical Visa Services, Bupa Health Dialog and Bupa Medical GP Clinics
- *Bupa Aged Care Australia*, the largest privately-owned residential aged care provider, caring for almost 10,000 residents each year across 67 homes
- *Bupa Care Services New Zealand*, a leading aged care provider, caring for around 25,000 people a year in 60 homes, 27 retirement villages, seven rehabilitation sites and through its personal medical alarm network

UK

- *Bupa Health Funding*, offering health insurance and health funding products
- *Bupa Care Services*, caring for around 40,000 people each year in 280 homes
- *Bupa Health Clinics*, wellness centres, clinics, occupational health services and dental clinics
- *Bupa Home Healthcare*, providing out-of-hospital healthcare services to around 35,500 patients
- *Bupa Cromwell Hospital*, complex care hospital in London, providing care for insured, self-pay and international patients

Spain and Latin America

- *Sanitas Seguros*, the second largest health insurance provider in Spain
- *Sanitas Hospitales and New Services*, four private hospitals, 20 private medical clinics, 19 health and wellbeing centres and two public-private partnerships (PPPs) in Spain
- *Sanitas Dental*, dental insurance services through 176 centres (111 owned and 65 franchises) and third-party networks in Spain
- *Sanitas Residencial*, caring for around 8,000 people every year in 40 care homes and three day care centres in Spain
- *Bupa Chile*, a leading health insurer and provider with three hospitals and 30 medical clinics, recently expanded provision operations to Peru (formerly Cruz Blanca Salud, acquired in February 2014)

International Development Markets (IDM)

- *Bupa Arabia,* an associate company in which Bupa has a 26.25% stake, and the largest health insurance business in Saudi Arabia
- *LUX MED,* the largest private healthcare business in Poland operating in health funding and provision
- *Max Bupa*, a 26:74 joint venture between Bupa and Max India Limited, offering private medical insurance
- *Bupa Hong Kong*, a leading specialist private health insurer in Hong Kong
- *Quality HealthCare*, a leading private clinic network in Hong Kong
- *Bupa Thailand,* a leading specialist health insurer
- *Bupa China,* our representative office in China

Bupa Global

International health insurance, travel insurance and medical assistance provided worldwide to individuals, small businesses and global corporate customers. Three operating units:

- *Bupa Global North America*, responsible for Bupa's (49%) investment in Highway to Health, Inc. in the US and the strategic global partnership with the Blue Cross and Blue Shield® (BCBS) system, the largest US-based health insurance group
- *Bupa Global Latin America*, the largest provider of international health insurance in Latin America
- *Bupa Global Business Unit*, oversees new regional operations in Greater China and the Middle East, as well as Africa, South East Asia and Europe

FINANCIAL REVIEW

Summary of results

Bupa's statutory profit before taxation was £255.4m (HY 2014: £266.6m), with underlying profit before taxation of £253.3m (HY 2014: £259.8m) at AER.

Six months ended 30 June	2015 £m	2014 £m
Total revenues	4,916.6	4,770.9
Underlying profit before taxation	**253.3**	259.8
Non-underlying items	2.1	6.8
Profit before taxation	**255.4**	266.6
Taxation	(52.5)	(54.1)
Profit for the period	**202.9**	212.5

Revenue growth was achieved in all Markets Units except for Bupa Global, although underlying profit decreased by 3% at AER, driven by a number of factors. The strengthening of sterling against our major trading currencies had a significant impact, and challenging trading conditions in Australia and the UK resulted in lower profit margins. Profit for the first half of 2014 included a non-recurring benefit following a change in regulatory requirements in Australia. At CER, underlying profit increased by 2%. Statutory profit before taxation decreased by 4% at AER, reflecting lower underlying profit and net contribution of non-underlying items in 2015.

Non-underlying profit items

To reflect the trading performance of the business in a consistent manner, we adjust profit before taxation for amortisation and impairment of intangible assets arising on business combinations, impairment of goodwill, net property revaluation gains and losses, realised and unrealised foreign exchange gains and losses, gains or losses on return-seeking assets, profits and losses on sale of businesses and fixed assets, restructuring costs and transaction costs of acquisitions and disposals as follows:

Six months ended 30 June	2015 £m	2014 £m
Amortisation of intangible assets arising on business combinations	(24.7)	(27.1)
Restructuring costs	-	(1.0)
Transaction costs on acquisitions and disposals	(0.7)	(4.2)
Realised and unrealised foreign exchange (losses) / gains	(13.3)	7.2
Net property revaluation gains	6.6	4.3
Net losses on disposal of fixed assets	(0.8)	(0.4)
Net gains on disposal of businesses[1]	24.1	11.1
Gains on return-seeking assets, net of hedging	6.8	12.7
Other[2]	4.1	4.2
Total non-underlying profit items	**2.1**	6.8

[1] Deferred consideration on 2007 disposal of Bupa Ireland Limited received in 2015 and sale of Health Dialog in 2014
[2] Other includes central non-underlying costs, including £4.0m of foreign exchange gains

Non-underlying items for 2015 had a lower net contribution than in 2014, despite deferred consideration on Bupa Ireland Limited (£24.1m). This reflects foreign exchange losses (£13.3m), largely due to the US dollar strengthening against sterling in 2015 compared with a £7.2m gain in 2014 and 2014 profit on disposal of Health Dialog (£11.1m).

Financial income and expense

Net financial expense for the six months to 30 June 2015 was £18.1m (HY 2014: £12.5m), including £24.9m of net expense in underlying profit (HY 2014: £25.2m) and gains on return-seeking assets of £6.8m within the non-underlying items (HY 2014: £12.7m). The increased net expense is mainly due to a decline in interest income as a result of falling interest rates in Australia, lower gains in the UK return-seeking asset portfolio and additional charges for a full period of expenses relating to the £350.0m bond issue (issued in June 2014) and Bupa Chile (acquired in February 2014). This has been partially offset by lower costs incurred up until June 2015 on the £800.0m revolving credit facility.

Taxation

The group's effective tax rate for the period is 20.6% (HY 2014: 20.3%), which is higher than the UK corporation tax rate of 20%, mainly due to the group's profits arising in jurisdictions with a higher rate of corporate income tax partially offset by tax credits recognised in the period. The group's effective rate is higher than the 2014 full year effective tax rate of 14.2% mainly due to the release of prior year tax provisions and recognition of tax credits in the second half of 2014.

In the UK Budget on 8 July 2015, the Chancellor announced plans to reduce the corporation tax rate to 18% by 2020. These changes have not been substantively enacted as at the balance sheet date and therefore have not been reflected in these financial statements. The deferred tax liability at 30 June 2015 has been calculated based on the rate of 20%.

Balance Sheet, funding and solvency

Adverse movements in foreign exchange rates, primarily Australian dollar and euro against sterling, have reduced the net assets of the group due to retranslation of our foreign subsidiaries into sterling.

The 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 the ratings during the period: Bupa Finance Plc is currently rated A- (stable) and Baa2 (stable) by Fitch and Moody's respectively.

Leverage at the half year was 28.0% (FY 2014: 27.6%). While borrowings have remained broadly unchanged, a decrease in net assets driven by adverse foreign exchange movements has led to a slight increase in leverage.

The group's £800.0m bank facility was undrawn at 30 June 2015, with the exception of £6.4m of outstanding letters of credit required for general business purposes. The group has recently extended this facility from 2017 to 2020, with the option of extending this further to 2022. This further enhances the group's short-term liquidity position.

Cash and other financial assets are held principally to meet the liabilities and solvency requirements of the group's regulated insurance entities. Cash and other financial investments as at 30 June 2015 totalled £3,373.6m (FY 2014: £3,175.6m). The portfolio remains conservative, with a large proportion being invested in highly-rated bank deposits and liquidity funds.

The total investment portfolio, including return-seeking assets, produced an average return of 1.8% in the period (HY 2014: 2.4%). Security of the overall portfolio remains a key priority and prudent investment will continue: 91% of Bupa's portfolio is held in counterparties rated A-/ A3 or higher.

Solvency is monitored on an ongoing basis and the solvency headroom position remained strong in the first half of 2015. At 30 June 2015, the IGD surplus was £1.8bn (FY 2014: £1.8bn), representing a solvency coverage ratio of 321% (FY 2014: 319%). The slight increase in IGD surplus is primarily due to profit in the period. Preparation for Solvency II is well underway and demonstrates that we will be well capitalised under the new rules.

Cash flow

Six months ended 30 June	2015 £m	2014 £m
Net cash from operating activities	**453.7**	542.9
Net cash used in investing activities		
- Acquisition of subsidiaries, net of cash acquired	(18.7)	(187.4)
- Capital expenditure[1]	(161.0)	(138.4)
- Financial Investments and deposits with credit institutions	(316.3)	(99.6)
- Receipt of deferred consideration on disposal of Bupa Ireland Limited	24.1	-
- Other	32.6	20.3
	(439.3)	(405.1)
Net cash (used in) / generated from financing activities	**(15.6)**	178.0
Net (decrease) / increase in cash and cash equivalents	**(1.2)**	315.8
Cash and cash equivalents at beginning of year	1,187.6	939.7
Effect of exchange rate changes	(44.6)	(15.2)
Cash and cash equivalents at end of period	**1,141.8**	1,240.3

Note:
[1] Capital expenditure includes the purchase of property, plant and equipment, intangibles and investment properties

Net cash generated from operating activities remains strong, but has reduced by £89.2m compared to the particularly high level of cash generated in the first half of 2014. This reflects the non-recurrence of significant receipts in the first half of 2014 from local government and the public sector. It also reflects lower cash flows in the first half of 2015 in Bupa Global following the re-pricing of a number of loss-making accounts, and the impact of the weakening Australian dollar and euro on Market Unit foreign currency operating cash flows.

Cash used in investing activities has increased by £34.2m compared to the first half of 2014. The reduction in acquisition expenditure was more than offset by an increase in the cash invested in longer term deposits to achieve a better rate of return, and an increase in capital expenditure in UK care homes. We also received £24.1m in the period related to deferred consideration from the 2007 disposal of Bupa Ireland Limited.

Cash flows from financing activities have decreased by £193.6m compared to the equivalent period in 2014. The variance is due to debt restructuring in June 2014, where £350.0m was raised through a senior unsecured bond issue, a withdrawal of an additional £145.0m on the £800.0m revolving debt facility, and repayment of the balance on the £300.0m revolving loan facility. In the current period there have been no significant changes in borrowings. Financing cash flows primarily comprised of £47.7m of interest payments made during the current period, offset by £29.4m receipts from hedging activities.

We have maintained a strong cash position throughout the period whilst investing surplus cash into longer term deposits to achieve a better rate of return.

BUSINESS RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by Bupa are set out in the Risks and Uncertainties section of the Bupa Annual Report and Accounts 2014.

Bupa maintains a well established process for identifying and managing all business risks, including all aspects of operational risk, such as conduct or cyber security risk, and clinical risk. This also includes effective oversight of the risks associated with the change programmes underpinning Bupa's strategy.

Economic conditions may impact the group's trading performance in Bupa's insurance and care services businesses, reducing demand for insurance and constraining public support for healthcare services. In many markets in which Bupa operates, 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. For example, in the UK, the recent Budget presented plans to increase the National Minimum Wage and introduce a National Living Wage in 2016. These changes, if implemented, are expected to put pressure on the cost of care within our UK care homes and fees from local authorities will have to increase to cover this additional cost. The Chancellor also announced that Insurance Premium Tax will increase, impacting the affordability of all insurance products, including health insurance. To mitigate this risk, our businesses continue to develop differentiated products and services, focus on customer retention and continue to control costs carefully.

Like most organisations, Bupa faces competition in its insurance and care services businesses, which can affect customer growth and retention and erode margins. A lack of competition among hospitals and other suppliers can also lead to higher claims costs for insurance businesses.

The British United Provident Association Limited

Condensed consolidated half year financial statements (unaudited)

Six months ended 30 June 2015

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2015

	Notes	**For six months ended 30 June 2015 £m**	For six months ended 30 June 2014 £m	For year ended 31 December 2014 £m
Revenues				
Gross insurance premiums		**3,543.8**	3,466.2	7,091.4
Premiums ceded to reinsurers		**(23.6)**	(19.5)	(41.1)
Net insurance premiums earned		**3,520.2**	3,446.7	7,050.3
Revenues from insurance service contracts		**20.5**	18.2	42.7
Care, health and other revenues		**1,375.9**	1,306.0	2,684.8
Total revenues	2	**4,916.6**	4,770.9	9,777.8
Claims and expenses				
Insurance claims incurred		**(2,723.6)**	(2,689.1)	(5,544.1)
Reinsurers' share of claims incurred		**18.5**	13.7	29.7
Net insurance claims incurred		**(2,705.1)**	(2,675.4)	(5,514.4)
Share of post-taxation results of equity accounted investments		**3.7**	0.3	9.0
Other operating expenses		**(1,965.1)**	(1,827.6)	(3,638.5)
Impairment of intangible assets arising on business combinations		**-**	-	(0.7)
Other income and charges	3	**23.4**	10.9	12.9
Total claims and expenses		**(4,643.1)**	(4,491.8)	(9,131.7)
Profit before financial income and expense		**273.5**	279.1	646.1
Financial income and expense				
Financial income	4	**40.2**	44.2	80.8
Financial expense	5	**(58.3)**	(56.7)	(117.7)
Net financial expense		**(18.1)**	(12.5)	(36.9)
Profit before taxation expense		**255.4**	266.6	609.2
Taxation expense	6	**(52.5)**	(54.1)	(86.4)
Profit for the financial period		**202.9**	212.5	522.8
Attributable to:				
Bupa		**200.1**	206.5	515.7
Non-controlling interests		**2.8**	6.0	7.1
Profit for the financial period		**202.9**	212.5	522.8

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30 June 2015

	For six months ended 30 June 2015 £m	For six months ended 30 June 2014 £m	For year ended 31 December 2014 £m
Profit for the financial period	**202.9**	212.5	522.8
Other Comprehensive Income / (Expense)			
Items that will not be reclassified to the Income Statement			
Remeasurement (losses) / gains on pension schemes	**(64.3)**	7.6	171.3
Taxation on remeasurement gains / (losses) on pension schemes	**12.9**	(1.5)	(34.1)
Unrealised gains on revaluation of property	**-**	-	6.5
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	**(117.8)**	16.3	(52.9)
Other foreign exchange translation differences	**(176.7)**	(11.3)	(75.2)
Net gain on hedge of net investment in overseas subsidiary companies	**24.2**	-	17.5
Change in fair value of underlying derivative of cash flow hedge	**1.1**	(1.6)	(2.7)
Cash flow hedge on acquisition of subsidiary companies	**-**	(1.4)	(1.5)
Taxation credit on income and expenses recognised directly in Other Comprehensive Income	**0.5**	4.0	7.3
Disposal of subsidiaries	**-**	(6.5)	(12.0)
Other Comprehensive (Expense) / Income for the period, net of taxation	**(320.1)**	5.6	24.2
Total Comprehensive (Expense) / Income for the period	**(117.2)**	218.1	547.0
Attributable to:			
Bupa	**(115.9)**	213.9	541.4
Non-controlling interests	**(1.3)**	4.2	5.6
Total Comprehensive (Expense) / Income for the period	**(117.2)**	218.1	547.0

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2015

	Notes	**At 30 June 2015 £m**	At 30 June 2014 £m	At 31 December 2014 £m
Non-current assets				
Intangible assets	9	**2,910.8**	3,152.7	3,072.1
Property, plant and equipment	10	**2,827.6**	2,849.3	2,915.6
Investment property		**230.3**	217.7	242.0
Equity accounted investments		**216.7**	197.2	208.9
Assets classified as held for sale		**-**	38.5	-
Financial investments	14	**750.8**	872.2	734.0
Derivative assets		**54.4**	49.6	62.1
Assets arising from insurance business	7	**0.4**	0.3	0.6
Deferred taxation assets		**2.5**	0.9	2.5
Trade and other receivables		**97.8**	127.0	110.7
Restricted assets	8	**41.0**	39.4	40.9
Post employment benefit net assets	12	**294.8**	139.5	351.4
		7,427.1	7,684.3	7,740.8
Current assets				
Financial investments	14	**1,481.0**	1,349.6	1,254.0
Derivative assets		**8.7**	7.1	6.9
Inventories		**67.0**	52.9	62.2
Assets arising from insurance business	7	**1,369.6**	1,420.4	933.6
Trade and other receivables		**590.6**	550.0	549.4
Restricted assets	8	**12.7**	13.6	12.3
Cash and cash equivalents	8	**1,141.8**	1,241.2	1,187.6
		4,671.4	4,634.8	4,006.0
Total assets		**12,098.5**	12,319.1	11,746.8
Non-current liabilities				
Subordinated liabilities	15	**(909.5)**	(907.0)	(919.7)
Other interest bearing liabilities	16	**(1,081.8)**	(1,384.6)	(1,086.9)
Derivative liabilities		**(69.9)**	(70.1)	(73.1)
Provisions under insurance contracts issued	11	**(26.4)**	(23.8)	(26.4)
Post employment benefit net liabilities	12	**(67.0)**	(59.6)	(66.1)
Provisions for liabilities and charges		**(29.6)**	(31.8)	(31.6)
Deferred taxation liabilities		**(226.2)**	(236.7)	(253.6)
Other payables		**(10.8)**	(16.9)	(16.2)
		(2,421.2)	(2,730.5)	(2,473.6)
Current liabilities				
Subordinated liabilities	15	**(19.9)**	(19.9)	(9.9)
Other interest bearing liabilities	16	**(65.4)**	(50.3)	(67.7)
Derivative liabilities		**(2.2)**	(1.8)	(3.8)
Provisions under insurance contracts issued	11	**(2,708.2)**	(2,852.2)	(2,182.5)
Other liabilities under insurance contracts issued		**(111.5)**	(41.8)	(57.6)
Provisions for liabilities and charges		**(83.6)**	(135.5)	(101.9)
Current taxation liabilities		**(66.4)**	(110.8)	(48.4)
Trade and other payables		**(1,272.1)**	(1,239.5)	(1,333.0)
		(4,329.3)	(4,451.8)	(3,804.8)
Total liabilities		**(6,750.5)**	(7,182.3)	(6,278.4)
Net assets		**5,348.0**	5,136.8	5,468.4
Equity				
Property revaluation reserve		**697.9**	704.1	707.9
Income and expenditure reserve		**4,740.0**	4,145.6	4,590.7
Cash flow hedge reserve		**20.8**	22.0	20.0
Foreign exchange translation reserve		**(184.9)**	190.8	71.4
Equity attributable to Bupa		**5,273.8**	5,062.5	5,390.0
Equity attributable to non-controlling interests		**74.2**	74.3	78.4
Total equity		**5,348.0**	5,136.8	5,468.4

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2015

	Notes	**For six months ended 30 June 2015 £m**	For six months ended 30 June 2014 £m	For year ended 31 December 2014 £m
Operating activities				
Profit before taxation expense		**255.4**	266.6	609.2
Adjustments for:				
Net financial expense		**18.1**	12.5	36.9
Depreciation, amortisation and impairment		**132.2**	129.8	262.0
Deferred consideration on disposal of Bupa Ireland Limited		**(24.1)**	-	-
Other non-cash items		**10.3**	(24.7)	(37.5)
Changes in working capital and provisions:				
Increase in provisions and other liabilities under insurance contracts issued		**661.4**	705.0	15.7
(Increase) / decrease in assets under insurance business		**(480.2)**	(501.5)	14.4
Change in net pension asset / liability		**(6.9)**	0.3	(41.6)
Increase in trade and other receivables, and other assets		**(72.6)**	(7.6)	(20.2)
(Decrease) / increase in trade and other payables, and other liabilities		**(5.1)**	53.4	145.1
Cash generated from operations		**488.5**	633.8	984.0
Income taxation paid		**(34.1)**	(90.3)	(193.5)
Increase in cash held in restricted assets		**(0.7)**	(0.6)	(1.0)
Net cash generated from operating activities		**453.7**	542.9	789.5
Cash flow from investing activities				
Acquisition of subsidiary companies, net of cash acquired		**(18.7)**	(187.4)	(199.3)
Increase in equity accounted investments		**(4.5)**	(0.6)	(3.9)
Disposal of subsidiary companies net of cash disposed of		**-**	(3.7)	12.8
Disposal of equity accounted investments		**-**	-	38.0
Deferred consideration on disposal of Bupa Ireland Limited		**24.1**	-	-
Purchase of intangible assets		**(33.9)**	(33.5)	(84.5)
Purchase of property, plant and equipment		**(109.9)**	(85.7)	(266.3)
Proceeds from sale of property, plant and equipment		**3.5**	2.3	9.5
Purchase of investment property		**(17.2)**	(19.2)	(41.0)
Disposal of investment property		**0.2**	-	-
Net proceeds from / (purchase of) financial investments, excluding deposits with credit institutions		**44.7**	(34.5)	(143.7)
Net (investment into) / withdrawal from deposits with credit institutions		**(361.0)**	(65.1)	257.6
Interest received		**33.4**	22.3	48.1
Net cash used in investing activities		**(439.3)**	(405.1)	(372.7)
Cash flow from financing activities				
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings		**35.4**	619.8	379.2
Repayment of interest bearing liabilities		**(29.5)**	(405.1)	(447.4)
Interest paid		**(47.7)**	(50.7)	(116.1)
Receipts from hedging instruments		**29.4**	16.9	22.5
Dividends paid to non-controlling interests		**(3.2)**	(2.9)	(2.0)
Net cash (used in) / generated from financing activities		**(15.6)**	178.0	(163.8)
Net (decrease) / increase in cash and cash equivalents		**(1.2)**	315.8	253.0
Cash and cash equivalents at beginning of period		**1,187.6**	939.7	939.7
Effect of exchange rate changes		**(44.6)**	(15.2)	(5.1)
Cash and cash equivalents at end of period	8	**1,141.8**	1,240.3	1,187.6

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2015

	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 2015							
At beginning of period	707.9	4,590.7	20.0	71.4	**5,390.0**	78.4	**5,468.4**
Retained profit for the period	-	200.1	-	-	**200.1**	2.8	**202.9**
Other Comprehensive Income / (Expense)							
Realised revaluation profit on disposal of property	(0.9)	0.9	-	-	**-**	-	**-**
Remeasurement loss on pension schemes	-	(64.3)	-	-	**(64.3)**	-	**(64.3)**
Foreign exchange translation differences on goodwill	-	-	-	(117.8)	**(117.8)**	-	**(117.8)**
Other foreign exchange translation differences	(9.9)	-	-	(162.7)	**(172.6)**	(4.1)	**(176.7)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	24.2	**24.2**	-	**24.2**
Change in fair value of underlying derivative of cash flow hedge	-	-	1.1	-	**1.1**	-	**1.1**
Taxation credit / (expense) on income and expense recognised directly in other comprehensive income	0.8	12.9	(0.3)	-	**13.4**	-	**13.4**
Other Comprehensive (Expense) / Income for the period, net of taxation	**(10.0)**	**(50.5)**	**0.8**	**(256.3)**	**(316.0)**	**(4.1)**	**(320.1)**
Total Comprehensive (Expense) / Income for the period	**(10.0)**	**149.6**	**0.8**	**(256.3)**	**(115.9)**	**(1.3)**	**(117.2)**
Dividends paid to non-controlling interests	-	(0.3)	-	-	**(0.3)**	(2.9)	**(3.2)**
At end of period	**697.9**	**4,740.0**	**20.8**	**(184.9)**	**5,273.8**	**74.2**	**5,348.0**
For the six months ended 30 June 2014							
At beginning of period	700.2	3,940.6	25.0	182.8	**4,848.6**	22.2	**4,870.8**
Retained profit for the period	-	206.5	-	-	**206.5**	6.0	**212.5**
Other Comprehensive Income / (Expense)							
Remeasurement gain on pension schemes	-	7.6	-	-	**7.6**	-	**7.6**
Foreign exchange translation differences on goodwill	-	-	-	16.3	**16.3**	-	**16.3**
Other foreign exchange translation differences	(0.1)	(2.0)	-	(7.4)	**(9.5)**	(1.8)	**(11.3)**
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.4)	-	**(1.4)**	-	**(1.4)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(1.6)	-	**(1.6)**	-	**(1.6)**
Taxation credit / (expense) on income and expense recognised directly in other comprehensive income	4.0	(1.5)	-	-	**2.5**	-	**2.5**
Disposal of subsidiary	-	(5.6)	-	(0.9)	**(6.5)**	-	**(6.5)**
Other Comprehensive Income / (Expense) for the period, net of taxation	**3.9**	**(1.5)**	**(3.0)**	**8.0**	**7.4**	**(1.8)**	**5.6**
Total Comprehensive Income / (Expense) for the period	**3.9**	**205.0**	**(3.0)**	**8.0**	**213.9**	**4.2**	**218.1**
Acquisition of subsidiary companies attributable to non-controlling interest	-	-	-	-	**-**	50.8	**50.8**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(2.9)	**(2.9)**
At end of period	**704.1**	**4,145.6**	**22.0**	**190.8**	**5,062.5**	**74.3**	**5,136.8**
For the year ended 31 December 2014							
At beginning of year	700.2	3,940.6	25.0	182.8	**4,848.6**	22.2	**4,870.8**
Retained profit for the financial year	-	515.7	-	-	**515.7**	7.1	**522.8**
Other Comprehensive Income / (Expense)							
Unrealised profit on revaluation of property	6.5	-	-	-	**6.5**	-	**6.5**
Realised revaluation profit on disposal of property	(1.9)	1.9	-	-	**-**	-	**-**
Remeasurement gain on pension schemes	-	171.3	-	-	**171.3**	-	**171.3**
Foreign exchange translation differences on goodwill	-	-	-	(52.9)	**(52.9)**	-	**(52.9)**
Other foreign exchange translation differences	(4.9)	1.4	-	(70.2)	**(73.7)**	(1.5)	**(75.2)**
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	17.5	**17.5**	-	**17.5**
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.5)	-	**(1.5)**	-	**(1.5)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(2.7)	-	**(2.7)**	-	**(2.7)**
Taxation credit / (expense) on income and expense recognised directly in other comprehensive income	8.0	(34.1)	(0.8)	0.1	**(26.8)**	-	**(26.8)**
Disposal of subsidiaries	-	(6.1)	-	(5.9)	**(12.0)**	-	**(12.0)**
Other Comprehensive Income / (Expense) for the year, net of taxation	**7.7**	**134.4**	**(5.0)**	**(111.4)**	**25.7**	**(1.5)**	**24.2**
Total Comprehensive Income / (Expense) for the year	**7.7**	**650.1**	**(5.0)**	**(111.4)**	**541.4**	**5.6**	**547.0**
Acquisition of subsidiary companies attributable to non-controlling interest	-	-	-	-	**-**	52.6	**52.6**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(2.0)	**(2.0)**
At end of year	**707.9**	**4,590.7**	**20.0**	**71.4**	**5,390.0**	**78.4**	**5,468.4**

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 2015 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 5 August 2015.

These condensed consolidated half year financial statements have been prepared in accordance with Disclosure and Transparency Rules of the Financial Conduct 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 2014, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ('IFRS').

The financial information contained in these interim results does not constitute statutory accounts of Bupa within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for Bupa for the year ended 31 December 2014 have been delivered to the Registrar of Companies. The auditors have reported on the accounts: their report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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.

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 Market Unit Overviews. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The committed bank facility, which was renegotiated in August 2015 and matures in August 2020, was undrawn at 30 June 2015 with the exception of £6.4m of outstanding letters of credit required 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 were applied to the annual financial statements for the year ended 31 December 2014.

1.4 Accounting policies

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 2014.

1.5 Foreign Exchange

The following significant exchange rates applied during the year.

	Average Rate			Closing Rate		
	At 30 June 2015	At 30 June 2014	At 31 December 2014	**At 30 June 2015**	At 30 June 2014	At 31 December 2014
Australian Dollar	**1.9491**	1.8250	1.8265	**2.0399**	1.8148	1.9082
Chilean Peso	**947.2674**	923.2701	939.693	**1,004.8331**	945.3447	944.4301
Euro	**1.3659**	1.2776	1.2411	**1.4099**	1.2492	1.2877
Hong Kong Dollar	**11.8162**	12.9435	12.7759	**12.1882**	13.2549	12.0805
New Zealand Dollar	**2.0589**	1.9665	1.9852	**2.3215**	1.9548	1.9989
Polish Zloty	**5.6545**	5.0825	5.1929	**5.905**	5.1938	5.5166
US Dollar	**1.5239**	1.6688	1.6475	**1.5725**	1.7102	1.5581

1.6 Assets classified as held for sale

There were no assets or liabilities classified as held for sale as at 30 June 2015. There were no assets or liabilities classified as held for sale as at 31 December 2014. At 30 June 2014 the Group's equity accounted investment in Dental Corporation Canada (£38.5m) was presented as held for sale.

1.7 Subsequent events

On 21 July 2015, Bupa received £1.4m (€1.9m) as additional deferred consideration in relation to the sale of Bupa Ireland Limited.

On 23 July 2015, the Group acquired 100% of NZOZ Magodent ("Magodent"), a leading oncology operator in Warsaw, Poland. An exercise to determine the fair value of the net assets of this acquisition is underway.

On 5 August 2015, the Group renegotiated its £800.0m committed bank facility to extend it to August 2020 (previously 2017) with the option to extend it to 2022.

2 Operating segments

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

Reportable segments	Services and products
Australia and New Zealand	Health insurance, health assessments, health coaching, and international health cover Dental provision in Australia and New Zealand, optical care within Australia Nursing, residential and respite care in Australia and New Zealand Retirement villages and telecare services within New Zealand
UK	Health insurance, dental services, health assessments and related products Nursing, residential, care villages and respite care Management and operation of a private hospital providing medical and ancillary services to patients Home healthcare products and services
Spain and Latin American Domestic	Health insurance and related products sold in Spain Management and operation of hospitals, clinics and dental centres in Spain providing medical and ancillary services to patients Provision of nursing, residential and respite care in Spain Health insurance and operation of outpatient diagnostic clinics, hospitals and medical laboratories in Chile and clinics in Peru
International Development Markets	Domestic health insurance and related products within Hong Kong, Thailand, China, Saudi Arabia, and India Medical subscription, health insurance, diagnostics and the operation of clinics and hospitals in Poland Diagnostics, primary healthcare and day care clinics in Hong Kong
Bupa Global	International health insurance to individuals, small businesses and corporate customers in over 190 countries, as well as provision of worldwide medical assistance services

Segmental information

	Australia and New Zealand	UK	Spain and Latin America Domestic	International Development Markets	Bupa Global	Total
	£m	£m	£m	£m	£m	£m
For the six months ended 30 June 2015						
(i) Revenues						
Total revenues for reportable segments	1,852.3	1,375.2	939.8	270.4	479.7	4,917.4
Inter segment income	-	(0.2)	-	(0.2)	-	(0.4)
External revenues for reportable segments	**1,852.3**	**1,375.0**	**939.8**	**270.2**	**479.7**	**4,917.0**
Net reclassifications to other expenses or financial income and expense						(0.4)
Consolidated total revenues						**4,916.6**
(ii) Segment result						
Underlying profit for reportable segments[1]	121.9	55.4	57.5	10.1	50.9	295.8
Central expenses and net interest margin						(42.5)
Consolidated underlying profit before taxation						**253.3**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(6.8)	(2.2)	(4.1)	(9.1)	(2.5)	(24.7)
Transaction costs on acquisitions and disposals	(0.2)	(0.4)	-	(0.1)	-	(0.7)
Realised and unrealised foreign exchange (losses) / gains	(0.9)	-	(0.8)	0.2	(11.8)	(13.3)
Net property revaluation gain	6.6	-	-	-	-	6.6
Net losses on disposal of fixed assets	-	(0.1)	(0.3)	-	(0.4)	(0.8)
Deferred consideration in relation to the sale of Bupa Ireland Limited						24.1
Gains on return-seeking assets, net of hedging						6.8
Other[2]						4.1
						2.1
Consolidated profit before taxation expense						**255.4**

[1] Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments
[2] Other includes central non-underlying costs, including £4.0m of foreign exchange gains

2 Operating segments (continued)

Segmental information (continued)

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	Bupa Global £m	Total £m
For the six months ended 30 June 2014						
(i) Revenues						
Total revenues for reportable segments	1,812.4	1,336.8	885.0	250.4	487.0	4,771.6
Inter segment income	-	(0.2)	-	(0.1)	-	(0.3)
External revenues for reportable segments	1,812.4	1,336.6	885.0	250.3	487.0	4,771.3
Net reclassifications to other expenses or financial income and expense						(0.4)
Consolidated total revenues						**4,770.9**
(ii) Segment result						
Underlying profit for reportable segments[1]	142.6	61.3	54.4	(0.3)	37.4	295.4
Central expenses and net interest margin						(35.6)
Consolidated underlying profit before taxation						**259.8**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(7.0)	(2.3)	(4.2)	(11.1)	(2.5)	(27.1)
Restructuring costs	-	-	-	(1.0)	-	(1.0)
Transaction costs on acquisitions and disposals	(0.2)	(0.4)	(3.3)	(0.3)	-	(4.2)
Realised and unrealised foreign exchange gains / (losses)	-	0.1	(1.0)	-	8.1	7.2
Net property revaluation gain	4.3	-	-	-	-	4.3
Net losses on disposal of fixed assets	(0.1)	(0.3)	-	-	-	(0.4)
Net gain on disposal of business	-	-	-	11.1	-	11.1
Gains on return-seeking assets, net of hedging						12.7
Other[2]						4.2
						6.8
Consolidated profit before taxation expense						**266.6**

[1] Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments
[2] Includes central non-underlying items

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	Bupa Global £m	Total £m
For year ended 31 December 2014						
(i) Revenues						
Total revenues for reportable segments	3,759.6	2,711.6	1,842.5	506.8	958.7	9,779.2
Inter segment income	-	(0.4)	-	(0.1)	-	(0.5)
External revenues for reportable segments	3,759.6	2,711.2	1,842.5	506.7	958.7	9,778.7
Net reclassifications to other expenses or financial income and expense						(0.9)
Consolidated total revenues						**9,777.8**
(ii) Segment result						
Underlying profit for reportable segments[1]	309.2	175.0	130.6	17.1	97.9	729.8
Central expenses and net interest margin						(92.0)
Consolidated underlying profit before taxation						**637.8**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(14.1)	(4.6)	(7.1)	(20.8)	(4.9)	(51.5)
Impairment of intangible assets arising on business combinations	-	-	(0.7)	-	-	(0.7)
Restructuring costs	(0.2)	(3.7)	-	(2.1)	(8.5)	(14.5)
Transaction costs on acquisitions and disposals	(0.7)	(0.6)	(3.3)	(0.8)	-	(5.4)
Realised and unrealised foreign exchange gains / (losses)	0.4	(0.1)	(2.1)	0.1	8.8	7.1
Net property revaluation gains / (losses)	10.7	(9.9)	(1.5)	-	-	(0.7)
Net losses on disposal of fixed assets	(0.5)	(0.4)	(0.7)	-	(0.2)	(1.8)
Net gains on disposal of businesses	-	10.9	-	16.2	-	27.1
Gains on return-seeking assets, net of hedging						13.8
Other[2]						(2.0)
						(28.6)
Consolidated profit before taxation expense						**609.2**

[1] Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments
[2] Includes central non-underlying items and loss on sale of equity accounted investments

3 Other income and charges

	For six months ended 30 June 2015	For six months ended 30 June 2014	For year ended 31 December 2014
	£m	£m	£m
Net gain on disposal of businesses[1]	**24.1**	11.1	27.1
Net loss on disposal of equity accounted investments	**-**	-	(0.7)
Deficit on revaluation of property	**-**	-	(1.8)
Impairment of property	**-**	-	(9.9)
Net loss on disposal of property, plant and equipment	**(0.7)**	(0.2)	(1.8)
Total other income and charges	**23.4**	10.9	12.9

[1] Deferred consideration on 2007 disposal of Bupa Ireland Limited received in 2015

4 Financial income

	For six months ended 30 June 2015	For six months ended 30 June 2014	For year ended 31 December 2014
	£m	£m	£m
Interest income:			
Loans and receivables	**22.1**	23.4	46.6
Investments held to maturity	**1.4**	1.0	2.5
Investments designated at fair value through profit or loss	**1.5**	1.9	3.5
Net realised gains on financial investments designated at fair value through profit or loss	**11.8**	6.7	8.3
Net (decrease) / increase in fair value:			
Investments designated at fair value through profit or loss	**(3.0)**	8.8	9.1
Investment property	**6.6**	4.3	10.9
Net foreign exchange losses	**(0.2)**	(1.9)	(0.1)
Total financial income	**40.2**	44.2	80.8

Included within financial income is a net gain after hedging on the Group's return-seeking asset portfolio of £6.8m (HY 2014: net gain of £12.7m; FY 2014: net gain of £13.8m).

5 Financial expense

	For six months ended 30 June 2015	For six months ended 30 June 2014	For year ended 31 December 2014
	£m	£m	£m
Interest expense on financial liabilities at amortised cost	**56.6**	54.6	113.6
Finance charges in respect of finance leases	**0.6**	0.6	1.3
Other financial expense	**1.1**	1.5	2.8
Total financial expense	**58.3**	56.7	117.7

6 Taxation expense

The Group's effective tax rate for the period is 20.6% (HY 2014: 20.3%; FY 2014: 14.2%), which is higher than the UK corporation tax rate of 20% mainly due to the Group's profits arising in jurisdictions with a higher rate of corporate income tax offset by tax credits recognised in the period. The Group's effective rate of 20.6% is higher than the 2014 full year effective tax rate of 14.2% mainly due to the release of prior year tax provisions and recognition of tax credits in 2014.

7 Assets arising from insurance business

	At 30 June 2015	At 30 June 2014	At 31 December 2014
	£m	£m	£m
Non-current			
Deferred acquisition costs	**0.4**	0.3	0.6
Total non-current assets arising from insurance business	**0.4**	0.3	0.6
Current			
Insurance debtors	**1,155.0**	1,233.1	736.9
Reinsurers' share of insurance provisions	**19.2**	4.9	15.8
Deferred acquisition costs	**104.2**	95.7	84.0
Medicare rebate	**67.2**	71.8	77.2
Risk Equalisation Trust Fund recoveries	**24.0**	14.9	19.7
Total current assets arising from insurance business	**1,369.6**	1,420.4	933.6
Total assets arising from insurance business	**1,370.0**	1,420.7	934.2

8 Cash and cash equivalents and restricted assets

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Cash at bank and in hand	**680.8**	729.7	650.0
Short-term deposits	**461.0**	511.5	537.6
Cash and cash equivalents	**1,141.8**	1,241.2	1,187.6
Bank overdrafts	**-**	(0.9)	-
Cash and cash equivalents in the statement of cash flows	**1,141.8**	1,240.3	1,187.6
Non-current restricted assets	**41.0**	39.4	40.9
Current restricted assets	**12.7**	13.6	12.3
Total restricted assets	**53.7**	53.0	53.2

9 Intangible assets

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Net book value at beginning of period	**3,072.1**	2,782.7	2,782.7
Assets arising on business combinations	**21.1**	392.7	396.7
Additions	**33.9**	34.6	84.5
Amortisation for the period	**(58.6)**	(60.5)	(119.6)
Impairment loss	**-**	-	(0.7)
Disposals	**(0.2)**	-	(0.4)
Disposal of subsidiary companies	**-**	(2.7)	(2.7)
Other	**2.2**	1.3	1.5
Foreign exchange	**(159.7)**	4.6	(69.9)
Net book value at end of period	**2,910.8**	3,152.7	3,072.1

The net book value of intangible assets comprises:

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Goodwill	**2,031.5**	2,189.8	2,128.1
Computer software	**204.0**	203.1	210.4
Customer relationships	**288.3**	333.0	318.8
Other	**387.0**	426.8	414.8
Net book value at end of period	**2,910.8**	3,152.7	3,072.1

Intangible assets of £2,910.8m (HY 2014: £3,152.7m; FY 2014: £3,072.1m) includes £675.3m (HY 2014: £759.8m; FY 2014: £733.6m) which is attributable to other intangible assets arising on business combinations (included within customer relationships and other) as follows:

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Customer relationships	**288.3**	333.0	318.8
Bed licences (within Bupa Aged Care Australia)	**98.1**	106.3	103.3
Brands and trademarks	**225.5**	244.4	241.5
Licences to operate care homes	**35.1**	41.1	38.4
Customer contracts	**8.5**	11.7	10.2
Leases	**10.2**	12.7	11.3
Distribution networks	**8.5**	9.5	9.0
Present value of acquired in-force business	**1.1**	1.1	1.1
Total	**675.3**	759.8	733.6

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. As required by IAS 34: Interim financial reporting, a review of goodwill was carried out as at 30 June 2015 which resulted in no impairments.

The following table summarises goodwill by CGU:

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Australia and New Zealand			
Bupa Australia Health Insurance	**778.4**	879.2	832.2
Bupa Aged Care Australia	**240.3**	267.0	253.9
Bupa Health Services Australia	**237.6**	250.0	244.6
Bupa Care Services New Zealand	**29.3**	34.7	34.0
UK			
Bupa Care Services UK	**190.8**	190.8	190.8
Bupa Cromwell Hospital	**16.2**	16.2	16.2
Other	**20.4**	16.5	17.0
Spain and Latin America Domestic			
Bupa Chile	**147.8**	157.0	157.2
Sanitas Seguros	**26.1**	26.9	28.6
Other	**5.0**	5.7	5.5
International Development Markets			
LUX MED	**174.6**	188.6	182.2
Quality HealthCare	**97.2**	89.4	98.1
Bupa Global	**67.8**	67.8	67.8
Total	**2,031.5**	2,189.8	2,128.1

10 Property, plant and equipment

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Net book value at beginning of period	**2,915.6**	2,697.1	2,697.1
Additions through business combinations	**0.8**	135.3	139.8
Additions	**104.9**	88.7	285.6
Depreciation charge for the period	**(73.5)**	(69.3)	(141.7)
Disposals of subsidiary companies	**-**	(1.7)	(1.8)
Disposals	**(4.0)**	(2.5)	(10.9)
Revaluations	**-**	-	17.1
Impairments	**(0.1)**	-	(22.3)
Other	**(2.2)**	(1.3)	(2.2)
Foreign exchange	**(113.9)**	3.0	(45.1)
Net book value at end of period	**2,827.6**	2,849.3	2,915.6

11 Provisions under insurance contracts issued

	At 30 June 2015			At 30 June 2014			At 31 December 2014		
	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	**2,002.9**	**(18.0)**	**1,984.9**	2,065.1	(3.4)	2,061.7	1,499.4	(9.2)	1,490.2
Provisions for claims	**705.3**	**(0.2)**	**705.1**	789.0	(0.8)	788.2	683.1	(5.7)	677.4
Long-term business									
Provisions for life insurance benefits	**26.4**	**(1.0)**	**25.4**	21.9	(0.7)	21.2	26.4	(0.9)	25.5
Total insurance provisions	**2,734.6**	**(19.2)**	**2,715.4**	2,876.0	(4.9)	2,871.1	2,208.9	(15.8)	2,193.1
Non-current	**26.4**	**-**	**26.4**	23.8	-	23.8	26.4	-	26.4
Current	**2,708.2**	**(19.2)**	**2,689.0**	2,852.2	(4.9)	2,847.3	2,182.5	(15.8)	2,166.7
Total insurance provisions	**2,734.6**	**(19.2)**	**2,715.4**	2,876.0	(4.9)	2,871.1	2,208.9	(15.8)	2,193.1

12 Post employment benefits

The Bupa Pension Scheme has been valued as at 30 June 2015, 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 2014.

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 statement of financial position to support the unfunded schemes; however, provisions are included in the statement of financial position in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2015 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 2015 by the Group's independent actuary using the same key assumptions as adopted at 30 June 2015 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 £285.3m as at 31 December 2014, to a net surplus of £227.8m as at 30 June 2015.

Amounts recognised in the Consolidated Income Statement

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

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Current service cost	**4.5**	7.2	14.1
Gains on curtailments	**(0.4)**	-	(0.5)
Net interest on defined benefit liability	**(5.6)**	(1.8)	(3.8)
Administrative expenses	**1.1**	0.8	1.7
Total amount charged to Consolidated Income Statement	**(0.4)**	6.2	11.5

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 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Present value of funded obligations	**(1,429.0)**	(1,315.8)	(1,388.6)
Fair value of scheme assets	**1,712.9**	1,448.0	1,728.5
Net assets of funded schemes	**283.9**	132.2	339.9
Present value of unfunded obligations	**(56.1)**	(52.3)	(54.6)
Net recognised assets	**227.8**	79.9	285.3
Represented on the Statement of Financial Position as:			
Net assets	**294.8**	139.5	351.4
Net liabilities	**(67.0)**	(59.6)	(66.1)
Net recognised assets	**227.8**	79.9	285.3

13 Business combinations

a) 2015 acquisitions

On 1 April 2015, Bupa acquired 100% of Medicor Centrum Medyczne Sp. z.o.o. a medical company running four health clinics for £4.5m (PLN 25.2m) with net assets of £0.3m (PLN 1.7m) and resulting in goodwill of £4.2m (PLN 23.5m). Bupa also acquired 100% of TK-MEDYK a diagnostic imaging company for £0.4m (PLN 2.4m) with net assets of £0.1m (PLN 0.3m) resulting in goodwill of £0.3m (PLN 2.1m).

Bupa acquired 12 Australian dental centres in the period, for a total consideration of £13.2m (AU$25.8m), with combined net assets of less than £0.1m (AU$0.1m) resulting in goodwill of £13.2m (AU$25.7m).

Bupa acquired three UK dental centres in the period, for a total consideration of £2.7m, with net liabilities of £(0.7)m resulting in goodwill of £3.4m.

The fair value adjustments relating to these acquisitions are provisional and will be finalised during 2015.

b) 2014 acquisitions

A number of acquisitions were made during the year ended 31 December 2014, the details are as follows:

	Date of acquisition	Percentage of holding
Australia and New Zealand		
Dental Centres - various	Various	
Cargill - NZ Aged Care facility	10 June 2014	100%
Spain and Latin America Domestic		
Cruz Blanca Salud (Bupa Chile)	24 February 2014	56%[1]
Hospital Virgen del Mar	1 September 2014	100%
Alcala and Daroca	15 December 2014	100%
International Development Markets		
Scanlab Sp. z.o.o.	1 April 2014	100%
Diagnostic Med Sp. z.o.o.	28 April 2014	100%
Centrum Zdrowia Medycyna Sp. z.o.o.	2 June 2014	100%
Centrum Medyczne Diagnostyka	1 July 2014	100%
UK		
The White Dental Company	31 January 2014	100%
Barbican Dental Centre	3 February 2014	100%
Cranbrook Dental Practice	28 November 2014	100%

[1] As part of the acquisition of Cruz Blanca Salud, the Group issued a put option to one of the existing shareholders which allows them to sell a further 17% to the Group, within the next five years.

	Cruz Blanca Salud			Other		
	Carrying value at acquisition	Fair value adjustments	Fair value	Carrying value at acquisition	Fair value adjustments	Fair value
	£m	£m	£m	£m	£m	£m
Intangible assets	110.4	97.3	207.7	0.1	-	0.1
Property, plant and equipment	127.3	5.8	133.1	6.7	-	6.7
Investment property	1.9	-	1.9	2.8	-	2.8
Inventories	2.5	-	2.5	0.2	-	0.2
Equity accounted investments	0.3	-	0.3	-	-	-
Financial investments	43.0	-	43.0	-	-	-
Trade and other receivables	43.0	-	43.0	3.0	-	3.0
Assets arising from insurance business	54.9	(45.2)	9.7	-	-	-
Cash and cash equivalents	36.1	-	36.1	0.5	-	0.5
Other interest bearing liabilities	(156.5)	(1.8)	(158.3)	(1.1)	-	(1.1)
Deferred tax liabilities	(20.2)	(5.7)	(25.9)	-	-	-
Deferred income	-	-	-	(0.1)	-	(0.1)
Trade and other payables	(101.6)	7.1	(94.5)	(3.8)	-	(3.8)
Insurance liabilities	(25.5)	(19.2)	(44.7)	-	-	-
Provisions for liabilities and charges	-	-	-	(0.1)	-	(0.1)
	115.6	**38.3**	**153.9**	**8.2**	**-**	**8.2**
Net assets acquired			153.9			8.2
Attributable to non-controlling interests			52.6			-
Goodwill			158.2			30.4
Consideration			**259.5**			**38.6**
Consideration satisfied by:						
Cash			198.5			37.4
Fair value of put option consideration (17%)			59.9			-
Deferred consideration			1.1			1.2
Total consideration paid			**259.5**			**38.6**
Purchase consideration settled in cash			198.5			37.4
Cash acquired on acquisition			36.1			0.5
Net cash outflow on acquisition			**162.4**			**36.9**

13 Business combinations (continued)

On 24 February 2014 the Group acquired 56.0% of Cruz Blanca Salud. Cruz Blanca Salud is an integrated healthcare group in Chile, listed on the Bolsa de Santiago stock exchange, and represents Bupa's first domestic business in Latin America with 640,000 insurance customers, 27 outpatient clinics, three hospitals and Chile's largest clinical laboratory. It also has a small outpatient and diagnostic business in Peru.

The acquisition will enhance Bupa's strategic positioning in the health insurance and healthcare sectors in Chile and establish a base for operational expansion and positioning in other Latin American countries.

As part of the Cruz Blanca Salud transaction, Bupa has issued a put option which will allow the existing shareholders to sell an additional 17.3% shareholding to Bupa for a specified price, adjusted for inflation. The put option will be exercisable between 24 and 60 months from the date of the deal, unless certain other events (e.g. change of control) occur.

The existence of the call option, which is effective after the put option expires means that it is virtually certain that the option for the additional 17.3% shares will be exercised, transferring the risks and rewards to Bupa. Therefore the total consideration of £259.5m (CLP 243,768.1m) and the goodwill arising from the transaction of £158.2m have been calculated on an ownership basis of 73.3% and 73.3% of Cruz Blanca Salud's results will be recognised as attributable to Bupa from the date of acquisition.

The put option is revalued at each balance sheet date, with changes in value recorded within financial income and expense in the Income Statement.

The goodwill represents a premium paid to acquire a leading integrated healthcare provider in Chile and reflects its strength and potential in the Latin American healthcare market.

The table below details the intangible assets arising as a result of this transaction, and combined with the existing software intangible asset balance of £13.6m, comprise the total intangible asset value of £207.7m. The useful life of the assets from a valuation perspective incorporate the long established nature of the business and the local market conditions, whereas, the useful economic life, used for amortisation purposes encompasses a more pragmatic view, aligned with Group policy and precedent.

The below tables are translated at average rates for the year ended 31 December 2014. The following values have been translated using the spot rates at the date of acquisition; Net Assets £156.7m, Consideration £264.0m and Goodwill £160.8m.

Cruz Blanca Salud contributed £531.3m revenue and £8.1m profit since the date of acquisition to 31 December 2014.

	£m	Useful life for valuation purposes	Useful life for amortisation purposes	
Brand and trademarks	156.4	Indefinite	Indefinite	Various established brands
Customer relationships (Insurance)	31.5	11yrs	8yrs	Based on forecasted cash flows after expiration of existing contracts (multi-period excess-earnings method)
Customer relationships (Healthcare)	6.2	5yrs	4yrs	Based on forecasted cash flows after expiration of existing contracts (multi-period excess-earnings method)
	194.1			

Other acquisitions in the period include further investment into Poland, with the acquisition of seven diagnostic centres and four outpatient clinics; continued expansion of Bupa's dental presence in Australia and the UK and an aged care facility in New Zealand.

Transaction costs expensed in the year ended 31 December 2014, within Other Operating Expenses, are detailed below:

	£m
Cruz Blanca Salud	3.3
Other	2.1
Total	**5.4**

14 Financial investments

	Carrying Value			Fair Value		
	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m	**At 30 June 2015 £m**	At 30 June 2014 £m	At 31 December 2014 £m
Non-current						
Designated at fair value through profit or loss						
Debt securities - government bonds	**94.5**	99.8	125.2	**94.5**	99.8	125.2
Debt securities - corporate bonds	**192.6**	152.6	184.3	**192.6**	152.6	184.3
Shares and other variable yield securities	**109.8**	135.0	135.9	**109.8**	135.0	135.9
Held to maturity						
Medium-term notes	**30.0**	30.0	30.0	**30.5**	30.0	30.0
Debt securities - corporate bonds	**1.1**	10.6	5.3	**1.1**	10.8	5.3
Loans and receivables						
Debt securities - corporate bonds	**86.0**	81.8	83.8	**125.7**	101.9	128.5
Deposits with credit institutions	**236.8**	362.4	169.5	**241.7**	356.1	174.0
Total non-current financial investments	**750.8**	872.2	734.0	**795.9**	886.2	783.2
Current						
Designated at fair value through profit or loss						
Debt securities - government bonds	**20.8**	13.1	23.1	**20.8**	13.1	23.1
Debt securities - corporate bonds	**3.6**	15.7	0.6	**3.6**	15.7	0.6
Shares and other variable yield securities	**34.8**	24.6	34.7	**34.8**	24.6	34.7
Deposits with credit institutions	**-**	-	1.3	**-**	-	1.3
Held to maturity						
Medium-term notes	**0.1**	170.0	50.1	**0.1**	170.0	50.1
Debt securities - government bonds	**3.8**	1.8	1.9	**3.8**	1.8	1.9
Debt securities - corporate bonds	**215.8**	28.6	173.0	**216.1**	29.1	173.0
Loans and receivables						
Deposits with credit institutions	**1,200.2**	1,094.6	968.0	**1,201.9**	1,164.5	968.8
Other loans	**1.9**	1.2	1.3	**1.9**	1.2	1.3
Total current financial investments	**1,481.0**	1,349.6	1,254.0	**1,483.0**	1,420.0	1,254.8
Total financial investments	**2,231.8**	2,221.8	1,988.0	**2,278.9**	2,306.2	2,038.0

Classification	**Criteria and treatment**
Fair value through profit or loss	Financial investments designated at fair value through profit or loss consist of investments or instruments where management make decisions based upon their fair value. The investments are carried at fair value, with gains and losses arising from changes in this value recognised in the Income Statement in the period in which they arise.
Held to maturity	Held to maturity investments are non-derivative financial assets which are quoted on an active market, with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. This is assessed at each reporting date. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Any discount or premium on purchase is amortised over the life of the investment through the Income Statement.
Loans and receivables	Loans and receivables are carried at amortised cost calculated using the effective interest method, less impairment losses.

Fair value of financial investments

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

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

° debt securities, shares and other variable yield securities – quoted price if available or discounted expected future principal and interest cash flows; and
° listed securities – quoted price.

14 Financial investments (continued)

The fair values of quoted investments in active markets are based on current bid prices. The fair values of unlisted securities and quoted investments for which there is no active market, are established by using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other investments that are substantially the same and discounted cash flow analysis. Financial investments carried at fair value are measured using different valuation inputs categorised into a three level hierarchy. The different levels have been defined by reference to the lowest level input that is significant to the fair value measurement, as follows:

° Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
° Level 2: inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
° Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An analysis of financial investments by valuation method is as follows:

	Non-current			Current		
	Level 1	Level 2	**Total**	Level 1	Level 2	**Total**
	£m	£m	**£m**	£m	£m	**£m**
At 30 June 2015						
Designated at fair value through profit or loss						
Debt securities - government bonds	37.9	56.6	**94.5**	20.7	0.1	**20.8**
Debt securities - corporate bonds	-	192.6	**192.6**	2.1	1.5	**3.6**
Share and other variable yield securities	35.0	74.8	**109.8**	34.8	-	**34.8**
Held to Maturity						
Medium-term notes	-	30.5	**30.5**	-	0.1	**0.1**
Debt securities - government bonds	-	-	**-**	3.8	-	**3.8**
Debt securities - corporate bonds	1.1	-	**1.1**	19.8	196.3	**216.1**
Loans and receivables						
Debt securities - corporate bonds	-	125.7	**125.7**	-	-	**-**
Deposits with credit institutions	-	241.7	**241.7**	-	1,201.9	**1,201.9**
Other loans	-	-	**-**	0.6	1.3	**1.9**
At 30 June 2014						
Designated at fair value through profit or loss						
Debt securities - government bonds	23.2	76.6	99.8	13.1	-	13.1
Debt securities - corporate bonds	20.7	131.9	152.6	0.3	15.4	15.7
Share and other variable yield securities	134.8	0.2	135.0	-	24.6	24.6
Held to Maturity						
Medium-term notes	-	30.0	30.0	-	170.0	170.0
Debt securities - government bonds	-	-	-	1.8	-	1.8
Debt securities - corporate bonds	10.8	-	10.8	29.1	-	29.1
Loans and receivables						
Debt securities - corporate bonds	-	101.9	101.9	-	-	-
Deposits with credit institutions	-	356.1	356.1	-	1,164.5	1,164.5
Other loans	-	-	-	-	1.2	1.2
At 31 December 2014						
Designated at fair value through profit and loss						
Debt securities - government bonds	39.7	85.5	125.2	22.2	0.9	23.1
Debt securities - corporate bonds	-	184.3	184.3	0.3	0.3	0.6
Share and other variable yield securities	54.9	81.0	135.9	34.7	-	34.7
Deposits with credit institutions	-	-	-	-	1.3	1.3
Held to Maturity						
Medium-term notes	-	30.0	30.0	-	50.1	50.1
Debt securities - government bonds	-	-	-	1.9	-	1.9
Debt securities - corporate bonds	5.3	-	5.3	40.9	132.1	173.0
Loans and receivables						
Debt securities - corporate bonds	-	128.5	128.5	-	-	-
Deposits with credit institutions	-	174.0	174.0	-	968.8	968.8
Other loans	-	-	-	-	1.3	1.3
Derivatives						
At 30 June 2015						
Derivative assets	-	54.4	**54.4**	-	8.7	**8.7**
Derivative liabilities	-	(69.9)	**(69.9)**	-	(2.2)	**(2.2)**
At 30 June 2014						
Derivative assets	-	49.6	**49.6**	-	7.1	**7.1**
Derivative liabilities	-	(70.1)	**(70.1)**	-	(1.8)	**(1.8)**
At 31 December 2014						
Derivative assets	-	62.1	**62.1**	-	6.9	**6.9**
Derivative liabilities	-	(73.1)	**(73.1)**	-	(3.8)	**(3.8)**

There have been no significant transfers between the valuation methods.

15 Subordinated liabilities

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Non-current			
Callable subordinated perpetual guaranteed bonds	**330.0**	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	**53.6**	49.6	62.1
Callable subordinated perpetual guaranteed bonds at carrying value	**383.6**	379.6	392.1
5.0% subordinated unguaranteed bonds due 2023	**495.6**	494.9	495.3
Other subordinated debt due 2022	**30.3**	32.5	32.3
	909.5	907.0	919.7
Current			
Callable subordinated perpetual guaranteed bonds	**15.9**	15.9	5.9
5.0% subordinated unguaranteed bonds due 2023	**4.0**	4.0	4.0
	19.9	19.9	9.9
Total subordinated liabilities	**929.4**	926.9	929.6
Total fair value of subordinated liabilities	**888.9**	897.3	924.8

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.

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 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Non-current			
Senior unsecured bonds	**737.1**	737.3	739.7
Bank loans	**98.9**	395.7	109.9
Secured loans	**234.2**	234.0	222.5
Finance lease liabilities	**11.6**	17.6	14.8
	1,081.8	1,384.6	1,086.9
Current			
Senior unsecured bonds	**15.8**	15.6	16.5
Bank loans	**38.4**	21.2	27.6
Secured loans	**4.1**	4.1	15.7
Finance lease liabilities	**7.1**	8.4	7.9
Bank overdrafts	**-**	0.9	-
Other loans	**-**	0.1	-
	65.4	50.3	67.7
Total Other interest bearing liabilities	**1,147.2**	1,434.9	1,154.6

Fair value of other interest bearing liabilities

	At 30 June 2015 £m	At 30 June 2014 £m	At 31 December 2014 £m
Senior unsecured bonds	**774.0**	780.1	795.4
Bank loans	**137.3**	416.9	137.5
Secured loans	**315.4**	297.0	324.7
Finance lease liabilities	**18.7**	26.0	22.7
Bank overdrafts	**-**	0.9	-
Other loans	**-**	0.1	-
Total fair value of other interest bearing liabilities	**1,245.4**	1,521.0	1,280.3

17 Commitments and Contingencies

Capital commitments

Capital expenditure for the Group contracted at 30 June 2015 but for which no provision has been made in the financial statements amounted to £163.4m (HY 2014: £205.6m; FY 2014: £187.6m). The decrease since year end of £24.2m is primarily due to aged care facility and Retirement Village projects maturing in the Australia and New Zealand and UK Market Units.

Contingent assets and contingent liabilities

The Group currently has no contingent assets.

The Group has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, from which it is anticipated that the likelihood of any material unprovided liabilities arising is remote.

BUPA
Statement of Directors' responsibilities
for the six months ended 30 June 2015

We confirm that to the best of our knowledge:

• the condensed set of financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
• the interim management report includes a fair review of the information voluntarily provided in accordance with the requirements of:

(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 set of 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 2014. Changes in Directors since 31 December 2014 are set out below:

Ms C Thompson (appointed on 01/05/2015)
Mr G Mitchell (resigned on 14/05/2015)
Mr J Lorimer (resigned on 30/06/2015)
Mr R Davis (appointed on 15/07/2015)

By order of the Board

Stuart Fletcher
Chief Executive Officer

Evelyn Bourke
Chief Financial Officer

5 August 2015

Independent review report to The British United Provident Association Limited from KPMG LLP
for the six months ended 30 June 2015

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2015 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 these 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. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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.

Scope of Review
We conducted our review in accordance with the 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 inquiries, 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 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 accompanying condensed consolidated set of financial statements in the half year financial report for the six months ended 30 June 2015 is 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.

Daniel Cazeaux
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
5 August 2015