

**The British United Provident Association Limited (Bupa):
HALF YEAR STATEMENT FOR THE SIX MONTHS TO 30 JUNE 2020**

KEY POINTS

- Half Year 2020 results reflect the impact of the COVID-19 pandemic across all of Bupa, although the operational impact varied by line of business and by geography
- Disruption caused by COVID-19 to our healthcare provision and aged care businesses during the period, along with reduced investment earnings, more than offset the improved profit performance in our insurance businesses
- Our priority has been to focus on the welfare of our customers, our people and society, and play our part in government and public health responses to COVID-19
- Revenue¹ £5.8bn, down 3% at AER (2019: £6bn); flat at constant exchange rates² (CER) (2019: £5.8bn)
- Statutory profit before taxation £153m, down £54m at actual exchange rates (AER) (2019 profit before taxation: £207m)
- Underlying profit before taxation³ £140m, down 28% at AER (2019: £195m); down 26% at CER (2019: £190m)
- Solvency II capital coverage ratio⁴ of 169% (FY 2019: 159%)

Evelyn Bourke, Group CEO, commented: “Our results reflect the disruption caused by COVID-19 across our businesses. I am very proud of how our people have responded to the challenge of the pandemic. They have focused on our customers, while contributing to national responses, often in the toughest of circumstances.

Across our insurance businesses, claims temporarily reduced due to restrictions on access to hospitals. We expanded telehealth and digital healthcare services so customers could continue to access care. In insurance, we have reserved prudently as we expect to pay increased claims as our customers access treatments delayed by lockdowns. As restrictions have started to ease, we have reopened our healthcare provision services, with the requisite safety measures in place, and activity levels are returning.

COVID-19 means we are operating in a time of significant uncertainty. We are actively managing our financial position, ensuring Bupa remains financially strong, so we can continue to invest in organic growth in our chosen markets, in technology capabilities and operational resilience.”

¹ Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.

² All figures are at constant exchange rates (CER) unless stated. We use CER to compare trading performance in a consistent manner to the prior year. We have restated 2019 results to 2020 average exchange rates.

³ Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory profit before taxation can be found in the notes to the condensed consolidated financial statements.

⁴ The 2020 Solvency II capital coverage ratio is an estimate and unaudited.

Market performance⁵ (CER)

- **Australia and New Zealand:** revenue up by 4% to £2,238m at CER with the new Australian Defence Force (ADF) contract driving growth. Underlying profit was £49m, a decrease of 35% at CER driven by losses in our Australian aged care businesses mainly due to occupancy challenges arising from the previously reported compliance issues which we have been successfully addressing, and from COVID-19, along with higher costs of operations.
- **Europe and Latin America:** revenue up by 3% to £1,827m and underlying profit growth of 1% to £73m at CER mainly driven by growth in our insurance businesses offset by how our provision and aged care businesses were impacted by lockdowns and restrictions caused by COVID-19.
- **Bupa Global and UK:** revenue was down by 7% to £1,532m, with underlying profit down 58% to £22m at CER mainly due to the impact of COVID-19 related lockdowns and restrictions, particularly in our aged care, dental and clinics businesses.
- **Other businesses:** Revenue is stable at £243m. Underlying profit is up 89% to £34m, mainly reflecting the growth in Bupa Arabia.

Financial position

- Net cash generated from operating activities was £843m, up £454m on prior year (2019: £389m) reflecting the delay in claims outflows in the first half
- Solvency II capital coverage ratio of 169% (FY 2019: 159%)
- Leverage ratio of 27.3% (FY 2019: 25.1%). Leverage is 34.4% (FY 2019: 32.7%) when IFRS 16 lease liabilities are taken into account
- In March, Fitch downgraded Bupa Finance plc's Long-Term Issuer Default Rating (LT IDR) to 'A-' from 'A', and senior and unguaranteed subordinated bonds to BBB+ and BBB- respectively. In April, Moody's affirmed the senior and subordinated debt ratings of Bupa Finance plc, while changing outlook from stable to negative

Operational responses to COVID-19

Our focus on our customers and our people, together with the continued emphasis on Bupa's values, was an important foundation of our response to the pandemic.

- In **health insurance**, we accelerated our telehealth and digital healthcare services so customers could continue to access care and advice. We also took targeted action in our markets such as removing pandemic exclusions as they relate to COVID-19, delaying approved premium increases, reviewing excess clauses, and supporting those experiencing financial hardship.
- In **health provision**, our hospitals and clinics supported the national public health response across different countries, treating COVID-19 patients and providing capacity to the public health systems. Our hospitals in Spain, Poland and Chile treated thousands of COVID-19 patients as part of the national responses. In Spain, we doubled the number of Intensive Care Unit (ICU) beds and constructed two field hospitals. In the UK, the Cromwell Hospital treated cancer and cardiology patients on behalf of the NHS, and some of our clinical staff were deployed to the NHS 111 helpline. Although many of our dental practices were closed for a period in line with local public health advice, we kept services open for emergency treatments.
- In our four **aged care** businesses we have supported and cared for residents, while ensuring our people could operate safely, always working in close collaboration with local health authorities.

⁵ At the 2019 half year, we announced the simplification of our organisation into three Market Units: Australia and New Zealand; Europe and Latin America; and Bupa Global and UK. We are reporting in accordance with this new structure and have restated our comparator results, where applicable.

- **Our people** have played a huge part in the COVID-19 response, working on the front line to support customers and contribute to the national responses. We swiftly enacted remote working capabilities wherever possible, and nearly all our people worldwide have been able to continue to work effectively through the pandemic.

Operational highlights

- Our total number of health insurance customers grew to 18m (FY 2019: 17.5m)
- In June, we enhanced our liquidity and capital position through two bond issues together raising £650m
- In June, we announced an agreement to increase our shareholding in Bupa Arabia by 4% to 43.25%
- We sharpened our focus on Environmental, Social and Governance (ESG) priorities with the creation of a Healthy Communities Fund

Enquiries

Media

Rupert Gowrley (Corporate Affairs): rupert.gowrley@bupa.com

Investors

Gareth Evans (Treasury): ir@bupa.com

(Bupa 1025Z LN)

About Bupa

Bupa's purpose is helping people live longer, healthier, happier lives. With no shareholders, our customers are our focus. We reinvest profits into providing more and better healthcare for the benefit of current and future customers.

Health insurance accounts for the major part of our business with 18m customers and contributes 74% of revenue. We operate clinics, dental centres and hospitals in some markets. We run aged care businesses in the UK, Australia, New Zealand and Spain.

We directly employ around 83,000 people, principally in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong, Turkey, Brazil, the US, Middle East and Ireland. We also have associate businesses in Saudi Arabia and India.

For more information, visit www.bupa.com.

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By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond Bupa's control and all of which are solely based on Bupa's current beliefs and expectations about future events. These circumstances include, among others, global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual future condition, results, performance or achievements of Bupa or its industry to be materially different to those expressed or implied by such forward-looking statements. Other than as required by law, Bupa expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements to reflect any change in the expectations of Bupa with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements in this document are current only as of the date on which such statements are made.

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Group CEO's review

COVID-19 is a major global health, socio-political and economic challenge. I am hugely appreciative and proud of the way our people have responded. They have been focused on supporting our customers, while contributing to national responses, often in the toughest of circumstances.

Our Half Year 2020 results reflect the impact of the COVID-19 pandemic across all of Bupa, although the operational impact varied by line of business and by geography. Revenue was flat at £5.8bn at CER, and underlying profit was £140m, down 26% on prior year (£190m at CER). The disruption caused by COVID-19 to our healthcare provision and aged care businesses, along with reduced investment earnings, more than offset the improved profit performance in our insurance businesses. Across all our insurance businesses claims volumes were reduced due to the temporary restrictions on access to hospitals for elective surgery during the various lockdowns. We expect to see increased claims as customers access the treatments and procedures delayed by the lockdowns as restrictions are lifted. We have used past claims experience to arrive at a best estimate for the necessary provision for delayed claims that were restricted due to the pandemic.

Revenue growth from the new ADF contract and our health insurance businesses in Turkey, Chile and Spain was offset by a decline in the revenue in our Australian and UK health insurance, UK dental and Chile provision businesses.

Our operational responses to COVID-19 and the impact on performance by business lines was as follows:

- **Our insurance businesses saw improved profits as claims were reduced by the restrictions on access to hospitals for elective surgery.** We accelerated the offering of telehealth and digital healthcare services so customers could continue to use their cover and access care and advice. As the restrictions are eased, we are supporting our customers in accessing treatment and providing guidance to businesses on employee health and wellbeing. We have reserved for the expected cost of delayed claims in respect of customers accessing treatments. We have taken a range of targeted actions to support our customers. This includes removing pandemic exclusions for COVID-19, delaying approved premium increases, premium rebates, reviewing excess clauses, and supporting those experiencing financial hardship.
- **Our healthcare provision businesses, particularly dental and clinics, were significantly impacted by government-mandated lockdowns and were largely closed for a number of months.** As restrictions have started to ease, we have reopened our services, with the requisite safety measures in place, and the activity levels are recovering. Our hospitals in Spain, Poland and Chile treated thousands of COVID-19 patients as part of the national responses. In Spain, we doubled the number of ICU beds and constructed two field hospitals, treating thousands of patients. In the UK, the Cromwell Hospital treated cancer and cardiology patients on behalf of the NHS, and some of our clinical staff were deployed to the NHS 111 helpline.
- **In our aged care businesses in Spain, the UK, Australia and New Zealand, we temporarily closed homes to new admissions to protect our residents and our people.** These restrictions, and the tragic loss of some residents to COVID-19, are reflected in reduced occupancy. Our people did an outstanding job taking care of our

residents and supporting their families at this challenging time. We have higher operating costs as we ensure that staff and visitors have the additional Personal Protective Equipment (PPE) they need and that our homes maintain very high standards for cleaning and hygiene. Our homes are largely now open to admissions with new operating protocols in place, although we remain prepared for further local lockdowns. In Australia, we continued to invest to improve clinical standards and we now have no care homes under regulatory sanction.

- Investment returns were impacted by comparatively lower interest rates reducing underlying profit by £18m, compared to 2019, thus contributing to 9% of the overall reduction in Group's underlying profit.
- We continue to invest in technology capabilities as part of a multi-year programme to enhance security and privacy, digitalise the customer experience and improve service.
- Statutory profit before taxation was £153m compared to £207m at the half year in 2019.

Our focus on our customers and our people, together with the continued emphasis on Bupa's values, was an important foundation for our response to the pandemic. Our scale and global footprint, and the more streamlined global organisation structure we put in place during 2019, have enabled us to share insights rapidly, respond quickly, and ensure business continuity and operational resilience during this period. Our investment in technology capabilities enabled us to ramp up our offerings of digital healthcare and telehealth across the organisation and to move quickly to remote working, all the time maintaining high standards of customer service.

We have closely managed our financial position, ensuring Bupa remains financially strong, and our solvency capital coverage has remained stable. We are managing liquidity tightly and have cancelled or delayed non-essential capital expenditure where appropriate. In June, we improved our debt maturity profile through a senior bond and Tier 2 bond issue together raising £650m.

When we published our 2019 Results on 5 March, we outlined how we were navigating challenges in some of our key markets, notably Australian health insurance and aged care, UK dental and Chile, and making significant investments in technology capabilities. We have made progress in many of these areas, and we continue to do so, notwithstanding COVID-19.

In June, we announced the agreement to increase our shareholding in Bupa Arabia by 4% to 43.25%, subject to regulatory approvals. This is in line with our strategy of investing in existing market positions to deliver sustainable growth. We expect this transaction to complete in August.

Environmental, social and governance (ESG) considerations are central to society's recovery from COVID-19. We are reassessing our ESG priorities, to bring sharper focus to activity and delivery. We are focusing particularly on the role we can play in supporting mental health and wellbeing, and on climate change. Our Health Communities Fund is supporting our businesses in different countries to fund long-term flagship programmes. We are defining the next level of detail for our 2021-2025 Environment and Climate Change Action Plan particularly our focus on the health impacts of climate change.

Outlook

The ongoing effects of COVID-19 mean we are operating in a time of significant disruption and uncertainty. The timing and effectiveness of potential vaccines are still highly uncertain. The ongoing pandemic, and public health responses, will continue to affect all human behaviour, including that of our customers and our people. It will directly influence the health systems in which we operate and continue to generate significant economic volatility.

Underlying profit from operating segments is likely to be broadly in line with our pre-pandemic expectations although market conditions will remain challenging with the potential for significant volatility. While we have reserved appropriately in our health insurance businesses, the timing and level of future claims is uncertain, including the impact of customers accessing delayed treatment and the potential costs of treating late diagnosed or under-treated illness. Performance in our provision businesses will improve in the second half of the year as they re-open for service, but we are prepared for further disruption from COVID-19 with local lockdowns. We continue to address challenges in our Australian health insurance business where sector-wide issues remain, and in our Australian aged care, UK dental and Chilean businesses. We continue to monitor the future EU-UK trading relationship and its impact on the UK economy.

Notwithstanding these challenges, Bupa is resilient and well-placed to navigate this environment with a focus on serving our customers.

We have a strong solvency position, a solid balance sheet and healthy cashflow.

We will continue to invest in organic growth in our chosen markets, in technology capabilities and operational resilience. We are prioritising investment in digital and virtual health and enhancing our services in health and wellbeing, particularly mental health, for the benefit of our customers and our people.

MARKET UNIT PERFORMANCE

Australia and New Zealand

	Revenue	Underlying profit
HY 2020	£2,238m	£49m
HY 2019 (AER)	£2,254m	£79m
% growth/(decline) (AER)	(1)%	(38)%
HY 2019 (CER)	£2,153m	£75m
% growth/(decline) (CER)	4%	(35)%

In Australia and New Zealand, revenue increased by 4% to £2,238m at CER. Underlying profit was £49m, a decrease of 35% at CER driven by losses in our Australian Aged Care businesses. Entering the year we had seen lower occupancy rates than historical averages as a result of compliance issues we had been addressing, and these had been improving. This operational progress was set back by admissions restrictions and higher costs of operations caused by COVID-19, but stands us in good stead for the future.

In Australian health insurance, revenue was marginally down and underlying profit was in line with the prior year. The combined operating ratio⁶ (COR) for the first six months of 2020 was 95%⁷ (HY 2019: 95%). We maintained our position as a leading health insurer in Australia, with 26%⁸ market share, and 4m customers.

We are focused on acting in the interests of our customers and communities. In April, we delayed the planned premium rate increase for six months and launched a £26m financial hardship scheme (£9m impact on HY results), with more than 32,000 customers so far receiving support. We extended coverage for COVID-19 related claims to all customers and used telehealth to support delivery of ancillary services such as mental health and physiotherapy. Around 80,000 customers have accessed online fitness and nutrition support at no cost for three months through a partnership with an Australian fitness expert. Claims reduced for approximately six weeks, due to restrictions on health providers and on non-urgent elective surgery but started to return strongly when the restrictions were lifted during May. We have reserved prudently at the half year for the expected rebound in claims during future periods.

Our Health Services business delivered revenue growth with the inclusion of the new ADF contract. Underlying profit declined, driven by the temporary suspension of the majority of our dental, optical and audiology services. The majority of these services have now reopened with new operating procedures to protect customers and our people. We supported the ADF throughout the pandemic, and our Medical Visa Services business continued to deliver essential services to customers, albeit at a reduced capacity.

Revenue in Australian Aged Care was down, with an operating loss arising largely from reduced occupancy and increased staff costs. Admission restrictions were also introduced to protect residents and our people from COVID-19. We incurred higher operating expenses along with investments in compliance and additional PPE. Significant progress was made on

⁶ Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums.

⁷ Bupa HI Pty Ltd (Australia): based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).

⁸ Australian Prudential Regulation Authority (APRA), Operations of private health insurers annual report (June 2019).

strengthening the operating model and, as at the time of reporting, none of our homes were under regulatory sanction. Our closing occupancy rate was 82% (HY 2019: 88%).

At the start of 2020, bushfires impacted many parts of Australia and we responded with a relief package to help support our customers and the communities affected.

Our New Zealand aged care business largely performed in line with expectations. Revenue increased despite the impact of COVID-19 on occupancy. Underlying profit decreased due to higher staffing and COVID-19 related costs. Our closing occupancy rate at June 2020 was 89% (HY 2019: 91%).

Europe and Latin America

	Revenue	Underlying profit
HY 2020	£1,827m	£73m
HY 2019 (AER)	£1,890m	£73m
% growth/(decline)	(3)%	0%
HY 2019 (CER)	£1,782m	£72m
% growth/(decline)	3%	1%

In Europe and Latin America, revenue grew by 3% and underlying profit grew by 1% at CER mainly driven by our insurance businesses offset by the performance in our provision and aged care businesses.

Our health insurance business in Spain, Sanitas Seguros, delivered solid revenue growth as it started the year with a bigger portfolio than last year. Underlying profit grew mainly because of lower claims, and although a provision is being held for the best estimate of claims that will rebound, the COR improved to 84%⁹ (HY 2019: 90%). We significantly enhanced our digital health offer, Blua, by expanding our network of doctors to around 3,000. This helped ensure that customers could continue to access support for all types of conditions during lockdowns in Spain. From December 2019 we grew Blua customers to more than 1.7 million. We waived pandemic exclusion clauses in our insurance policies as they related to COVID-19, and provided premium relief to those in financial hardship. We maintained our number two position with a market share of over 20%¹⁰.

Our Sanitas dental business had the majority of its centres closed due to lockdowns during Q2. Revenue and underlying profit were down. We adapted quickly, launching a dental video consultation service and we kept over 40 centres open for emergencies. Our centres gradually reopened during April with activity recovering quickly, notwithstanding the new operating protocols in place to ensure patient safety.

In Hospitals and New Services in Spain, revenue declined during the lockdown period. We made an underlying loss mainly as a result of the temporary suspension of elective treatments. As part of the national response, we doubled ICU bed capacity by creating two 'field hospitals' in Madrid, attached to our La Moraleja and La Zarzuela hospitals, to support both the public and private health systems. We treated over 9,300 patients with COVID-19 in our facilities and delivered around 230,000 video consultations.

⁹ Sanitas S.A de Seguros (Spain): Prepared under local GAAP (unaudited).

¹⁰ ICEA (Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones).

Our aged care business, Sanitas Mayores, had a year-on-year decline in revenue and made a small underlying loss due to reduced occupancy levels. Sadly, COVID-19 caused the deaths of a number of residents. Occupancy was also affected by admission restrictions, essential to protect residents and our people. Our closing occupancy rate was 78% (HY 2019: 95%). We took many measures to reduce the spread of infection, we worked closely with the public health system and we connected our residents with their families by expanding the availability of apps and videocalls.

In Chile, revenue declined in our hospitals and clinics businesses because of COVID-19 reducing volumes, leading to an underlying loss. We are working closely with the government and health authorities to provide additional capacity where needed. Our insurance business saw strong revenue and profit performance, reflecting lower claims during the pandemic. The delay in implementing the agreed Isapre premium increase across the sector helped alleviate financial pressures on customers.

In Poland, LuxMed delivered revenue growth as the corporate medical subscription business held up very well. Underlying profit was stable. We adapted our services to support our customers safely through COVID-19, including enhancing and expanding telehealth services and offering new digital health advice services.

Bupa Acibadem Sigorta, the health insurance business in Turkey, continued to perform well. Our portfolio grew strongly by 9% since June 2019 to around 650,000 customers. Claims were reduced for a period due to restrictions on access to treatment in private hospitals.

We are restructuring what was Bupa Global Latin America (BGLA) into three business units, a new BGLA, Care Plus in Brazil and Bupa Mexico. The new BGLA, our Miami based operation, ran a programme to reduce costs and improve technology. It delivered improved underlying performance due to lower claims. Care Plus increased telehealth services for customers and grew Net Promoter System (NPS) scores year-on-year. It delivered good revenue growth, while underlying profit remained stable. Bupa Mexico also delivered improved results.

Bupa Global and UK

	Revenue	Underlying profit
HY 2020	£1,532m	£22m
HY 2019 (AER)	£1,647m	£50m
% growth/(decline)	(7)%	(56)%
HY 2019 (CER)	£1,652m	£52m
% growth/(decline)	(7)%	(58)%

Revenue in Bupa Global and UK was down by 7%, with underlying profit down 58% at CER. This mainly reflected the impact of COVID-19 on our provision businesses. We have used past claims experience to arrive at a best estimate for the necessary provision for claims that were delayed due to the pandemic.

UK Insurance revenue on an underlying basis was up on last year driven by growth in customer numbers in 2019 and early 2020. Our commitment to pass back to UK Insurance customers any exceptional financial benefit ultimately arising as a result of COVID-19 reduces reported revenue. Underlying profit was lower as we continued to invest in technology

capabilities together with the prudent approach to reserving for claims delayed due to the pandemic. As hospitals start resuming elective treatment, we expect claims to increase. In the first half, we enhanced remote services to allow customers quick, direct access to GPs, physiotherapists, consultants and nurses, via video or phone. Digital GP appointments more than doubled during lockdown and calls to our Anytime Healthline more than doubled on last year. We also launched our new brand campaign, 'Is it normal?', to tackle stigma around mental health and underline how we can support our customers. In August, we announced an agreement with CS Healthcare, a friendly society, to transfer its 18,500 health insurance members and business to Bupa. This agreement is subject to approvals by regulators and by CS Healthcare's members.

In Bupa Global, our IPMI business, revenue was stable compared to 2019 while underlying profit grew reflecting favourable claims performance. We saw a significant increase in customers using our Global Virtual Care app which provides remote access to a global network of doctors.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, improved marginally to 94% due to better international performance (HY 2019: 95%).

In UK dental, revenue reduced on 2019 and we incurred an underlying loss because of the temporary closure for around three and a half months of practices for routine care. During the lockdown, we partnered with the NHS to provide telephone advice to patients, prescribe medicines and provide emergency care, including in 11 urgent dental centres. We also provided these services in the Republic of Ireland. The majority of our practices reopened in late May and June with new safety measures for our customers and people. We continue to address the ongoing challenge of recruiting dentists and are positioning ourselves as the best place to work within the industry.

Revenue in UK care services was down on last year, and the business made a marginal underlying loss (small profit in the prior year), due to the impact of COVID-19. Our closing occupancy rate at June 2020 was down to 78% (HY 2019: 87%), due to reduced admissions and the sad loss of a number of residents from COVID-19. Property sales were also down in Richmond Villages, where viewings were impacted by lockdown restrictions. We are following Government guidance to reduce the spread of COVID-19 and have supplied hundreds of iPads and phones to help keep residents connected with loved ones.

Performance in Health Services was down, reflecting the temporary closure of clinics. We adapted our services to protect our people and customers, including expanding virtual appointments for musculoskeletal conditions and GP services. We reopened our clinics for health assessments in June. We also launched new services to support employers with return-to-work policies and are offering antibody testing. At the Cromwell we worked in partnership with NHS England to provide care for NHS patients and to support the Royal Marsden Cancer Hub to deliver urgent treatment through our new ICU.

FINANCIAL REVIEW

Overview

Revenue was £5.8bn, in line with prior year (£5.8bn at CER), and underlying profit was £140m, down 26% on prior year (£190m at CER). The Group's underlying results reflected difficult trading conditions caused by the COVID-19 pandemic, materially impacting our provision businesses.

Our half year statutory profit before tax was £153m, compared to a statutory profit of £207m (at AER) at the half year in 2019, as we continued to invest in technology capabilities to enhance security, ensure operational resilience and digitalise the customer experience.

We generated cash from operating activities of £843m, up £454m on prior year.

In March, Fitch downgraded our senior and subordinated debt ratings by one notch and in April, Moody's placed our ratings on negative outlook.

On 25 June 2020, Bupa issued two tranches of debt: £300 million 1.750% fixed rate senior notes due 2027 and £350 million 4.125% fixed rate, Tier 2, subordinated notes due 2035. These bonds improve our liquidity and debt maturity profiles. We have now given notice that we intend to redeem the £330m restricted Tier 1 bond on its call date in September.

Our Solvency II capital coverage ratio of 169% at 30 June 2020 remained strong and comfortably within our target working range of 140-170%. This is regarded as the range within which we would expect to operate in normal circumstances. The impact of the planned purchase of an additional 4% shareholding in Bupa Arabia which is expected to complete in August 2020, along with the call of the Tier 1 bond in September 2020 will decrease the coverage ratio by around 4% and 13% respectively.

Revenue (CER)

Revenue was broadly flat year on year as a result of growth seen in our Australia and New Zealand and Europe and Latin America Market Units, offset by a decline in Bupa Global and UK.

By business lines, revenue in our health insurance businesses grew by 1% compared to last year, largely driven by our Europe and Latin America Market Unit following the acquisition of Bupa Acıbadem Sigorta in 2019 and growth in our health insurance businesses in Spain, Chile, Brazil and Hong Kong. This growth was offset by COVID-19 impacts globally where we took a range of targeted actions to support customers and deliver value, including delaying approved premium increases, support for customers experiencing financial hardship, and provisions for passing back value to customers.

Our provision businesses (other than aged care) saw a decline in revenue of 2% year-on-year as many of our clinics were closed due to COVID-19 restrictions. This was partly offset by the contribution of the Australian Defence Force contract that came into effect from 1 July 2019.

In our four aged care businesses, revenue was down 4% on 2019. Across the businesses the impacts of the pandemic resulted in reduced occupancy from restrictions on new resident admissions and, in the case of Spain and the UK, we sadly lost a number of our residents to COVID-19.

Underlying profit (CER)

Group underlying profit declined by 26% to £140m (2019: £190m at CER). Overall, our provision and aged care businesses made losses in the first six months of 2020 reflecting the significant disruption to services from lockdowns and restrictions following the outbreak of COVID-19.

For our largest line of business, health insurance, underlying profit was up given the reduced levels of claims since the outbreak of COVID-19 as countries applied lockdown measures and elective procedures were postponed. Although claims volumes were lower in the first half, it is expected that a significant majority will return as access to medical provision continues to open up, and as such we are accounting appropriately to ensure the reserves will meet our obligations to our customers. The total provision held at half year was £389m for deferred claims, however estimating the quantum and timing of when the claims will rebound is a key judgement and has been modelled carefully by our actuarial teams. Actual outcomes will be linked to the extent of lockdowns, consumer behaviour, and government policy, and we will update our estimates as time moves on.

We incurred an underlying loss in our healthcare provision businesses due to COVID-19 restrictions. For example, in UK dental we saw the majority of our operations closed for around three and a half months. In addition, our outpatient services in Chile were severely impacted. In Spain, our clinics and most of our dental practices were closed.

We recognised an underlying loss in aged care due to a decline in occupancy and higher COVID-19 related costs including from PPE in all markets. At the end of June, the number of residents in our care homes was down around 10% on 2019 mainly due to admission restrictions following the outbreak of COVID-19. In addition, in Australia, operating costs were higher following actions taken to address a number of compliance issues in our aged care business in 2019.

Central expenses and net interest margin were £38m, higher than the prior year (£27m at CER) as comparatively lower interest rates adversely impacted investment returns (£18m worse than prior year). This was partially offset by corporate restructuring that took place in 2019 to remove the International Markets Market Unit, thus lowering central costs.

Statutory Profit (AER)

Statutory profit before taxation was £153m compared to a statutory profit of £207m at the half year in 2019. This reflects the decline in underlying profit. Investment in technology capabilities continued at broadly the same level as prior year.

	2020	2019
	£m	£m
Australia and New Zealand at CER	49	75
Europe and Latin America at CER	73	72
Bupa Global and UK at CER	22	52
Other businesses at CER	34	18
Underlying profit for reportable segments at CER	178	217
Central expenses and net interest margin at CER	(38)	(27)
Consolidated underlying profit before taxation at CER	140	190
Foreign exchange re-translation on 2019 results (CER/AER)		5
Consolidated underlying profit before taxation at AER	140	195
Net loss on disposal of businesses and transaction costs on business combinations	(5)	(5)
Net property revaluation gains	10	8
Realised and unrealised foreign exchange gains/(losses)	14	(9)
(Losses)/gains on return-seeking-assets, net of hedging	(5)	24
Centre non-underlying items	(1)	(6)
Total non-underlying items	13	12
Statutory profit before taxation at AER	153	207

In 2020, non-underlying items totaled £13m profit, compared with £12m profit in 2019. The key items in 2020 were foreign exchange gains, and marginal property valuation gains in some of our New Zealand care homes. This was offset by minor losses in our return seeking assets as credit spreads widened following the onset of COVID-19 (this was in contrast to gains made on these assets in 2019 when credit spreads had narrowed).

Taxation

The Group's effective tax rate for the period was 29% (HY 2019: 33%, FY 2019: negative 171%), which is higher than the current UK corporation tax rate of 19%. This is mainly due to profits arising in jurisdictions with a higher rate of corporate income tax and deferred tax adjustments arising from changes to the enacted UK corporation tax rate.

Cashflow

Net cash generated from operating activities increased by £454m to £843m as a result of the lower claims paid due to COVID-19 disruption on elective healthcare procedures and a one-off tax settlement in 2019. Operational cashflow earnings before interest, depreciation and amortisation declined broadly in line with the reduction in pre-tax profit as we have established a provision for the proportion of claims that have been delayed and are expected to return in future periods.

Net cash used in investing activities increased by £226m to £546m in the first half of the year with higher deposits being made than during the same period last year as a result of lower claims paid. We have continued to invest in IT infrastructure during 2020 and have made a small number of dental and clinic acquisitions in the period. In 2019 we completed the purchase of Acibadem Sigorta.

Net cash generated from financing activities increased to £288m, a change of £286m from last year.

Funding

We manage our funding prudently to ensure a strong platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa's debt.

Our Bupa Finance plc senior debt ratings are A3 (negative) by Moody's and BBB+ (stable) by Fitch. Fitch and Moody's reviewed Bupa's credit ratings in the period. The Fitch rating was downgraded to A- in March and the Moody's rating moved from stable to negative outlook in April.

Fitch downgraded Bupa Finance plc's Long-Term Issuer Default Rating (LT IDR) to 'A-' from 'A', and senior and Tier 2 bonds one notch to BBB+ and BBB- respectively. Fitch affirmed Bupa Insurance Limited's Insurer Financial Strength (IFS) rating and LT IDR as A+ (Strong) and A respectively. The outlooks on both Bupa Finance plc's LT IDR and Bupa Insurance Limited's IFS rating are stable. Moody's affirmed Bupa Insurance Limited's Insurance Financial Strength Rating at A1 and affirmed the senior and subordinated debt ratings of Bupa Finance plc, while changing the outlook from stable to negative. The senior and Tier 2 bond ratings stand at A3 and Baa1.

The key development in the first half of 2020 was the issuance of both a £300m senior and a £350m Tier 2 bond in June. These transactions enhance both our liquidity and capital positions.

At 30 June 2020, we had no drawings under our £800m revolving credit facility, which is due to mature in August 2022. The bond proceeds were received in June and were partly used to repay all remaining drawings under that facility. The remainder of the proceeds are held in cash. We have now given notice that we intend to redeem the £330m restricted Tier 1 bond on its call date in September and will use the remaining cash balances from the recent bond issuance to fund the repayment.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 30 June 2020 was 27.3% (FY 2019: 25.1%). Leverage is 34.4% (FY 2019: 32.7%) when IFRS 16 lease liabilities are taken into account. The increase in leverage is primarily due to the timing of the bond issue and the temporary grossing up of the balance sheet in advance of the September 2020 call date and June 2021 bond maturity.

Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency¹¹

The sensitivity of our solvency capital coverage ratio to individual market risks is summarised below. The overall sensitivity to these risks remains low as has been demonstrated in the first half of 2020. Property continues to be the most material sensitivity for our solvency coverage.

The Group Capital risk appetite seeks to ensure that Bupa has sufficient resources to withstand a 1-in-20-year event and still meet regulatory capital requirements. Earlier this year, the Board adopted a capital working range of 140% - 170% of Solvency Capital Requirement (SCR), taking into consideration Bupa's capital risk appetite. This is a solvency coverage range that Bupa expects to operate within under normal circumstances.

Risk Sensitivities	Solvency II coverage ratio
Solvency coverage ratio	169%
Property values -10%	154%
Loss ratio worsening by 2%	162%
Interest rate -100bps	165%
Group Specific Parameter (GSP) ¹² +0.2%	167%
Credit spreads +100bps (no credit transition)	167%
Pension risk +10%	169%
Sterling depreciates by 10%	169%
Equity markets -20%	169%

Business risks

We describe our main risks in the Risks section of the Bupa Annual Report and Accounts 2019. In the period to 30 June 2020 the outbreak of the COVID-19 pandemic has resulted in significant uncertainty for society as a whole and for Bupa, but the principal risks and themes identified at the year-end also remain. Across Bupa we have implemented our crisis management plans, which have focused on ensuring our critical business services continue to operate effectively throughout an extended period of disruption. To date, this has operated effectively.

COVID-19 has had a significant impact on the half year results of our businesses as set out in the CEO Statement and Financial Review sections. Despite lockdown restrictions easing in many key markets the pandemic is not behind us. We operate in a number of markets that have still to move beyond the peak of the pandemic and, in others, the risk of further waves, nationally or locally, is still high. We continue to monitor the situation carefully and run stress and scenarios to examine potential impacts across all businesses and remain prepared to take appropriate actions, if the situation worsens, to manage the impact on our customers and people.

The pandemic has served to validate our understanding of the existing risk profile whilst accelerating and accentuating a number of trends. These are the vulnerability of global supply

¹¹ The 2020 solvency II capital coverage ratio is an estimate and unaudited.

¹² Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

chains, a move away from globalisation, the rise in the provision of technologically enabled remote clinical consultations and the ability for a large part of the workforce to work effectively from home. It has also demonstrated how quickly issues can escalate and how critical it is that we were able to adapt and respond quickly together with effective and dynamic governance structures playing a role in how we have managed this situation. The strengthening of the Chief Medical Officer's role and clinical governance across the Group has helped ensure we have strong clinical advice and guidance, which has been crucial to our response to the crisis. As we move through the crisis, we update our existing risk profile to reflect the impact of the pandemic, no longer reporting COVID-19 as a separate risk.

Strategic and financial risks and risks impacting our ability to deliver for our customers:

The macroeconomic environment is challenging in most markets, and this will be compounded by COVID-19. It is uncertain how severe the impacts will be and how long they will last but any reduction in consumer or government spending may impact our businesses. Weakened economic environments are also likely to compound the existing affordability challenges in health insurance as medical inflation continues to increase at a higher rate than premiums. This is particularly true in Australia, where the government continues to approve premium increases below medical inflation. At the same time, customer expectations are accelerating as ease of access, particularly through digital innovation, and quality of service are increasing. We have significantly increased our digital offerings for customers during the pandemic and this will remain an area of focus in the future. We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges.

The availability of healthcare professionals, particularly dentists in the UK and staff in our aged care businesses globally, continues to pose a challenge for our businesses. It is unclear how the pandemic, and future government funding decisions may impact this. Our people make the difference and deliver on our promise to our customers. We continue to focus in this area to ensure that we attract, develop and retain outstanding people and leaders to mitigate this risk.

While the Group is currently seeing lower claims due to short-term delays to elective surgery, the cost of claims could increase in the long run due to deferred costs of treating under-treated illnesses. We have established reserves for the best estimate of the proportion of the claims that have been delayed that are likely to return in future periods, reflecting Bupa's intent and commitment to fulfil obligations to policyholders. As with any reserve of this nature there is inherent uncertainty in the key judgements which may impact future results, particularly should further lockdowns or significant restrictions to private healthcare occur in future. Details of the reserve established are set out on page 46.

We have undertaken a range of stress and scenario analysis on our businesses to understand the potential impact of the pandemic on our business performance, solvency capital and liquidity position. This has helped us understand and mitigate the impact of the pandemic as far as possible and develop appropriate targeted actions to respond to these challenges. We will continue to do so in the second half of the year.

We have significantly de-risked our liquidity and capital positions, having issued senior and Tier 2 bonds in June 2020. However, the state of the bond markets and the pricing of issuances was highly volatile during many periods in Q2 and that could recur in the event of either a second wave of COVID-19 or a further downturn in the global economic environment. This could create a risk in the event that further funding is required in the short to medium-term.

Governmental and regulatory policy risks:

Changes in governmental and regulatory policy has consistently been one of our top risks given the nature of our businesses and this remains true. The significant governmental and regulatory responses to the pandemic has shown that future legislation, regulations and government funding decisions could have a material impact on the Group, and any measures put in place may improve or reduce the attractiveness and affordability of private health insurance. These may include any restrictions on price increases, increased minimum wage levels, higher costs of operating healthcare provision businesses, changes in the tax system or restrictions on dividend payments. We continue to engage governments and regulators in the markets we operate in to understand and influence potential changes to ensure we are able to continue to deliver high quality care and value for our customers and providers.

We are continuing to prepare for the operational, commercial and legal implications of an exit from the EU under different scenarios, including a situation where the UK leaves the EU with no trade deal in place. We are examining a number of potential issues and working through steps to protect Bupa's position in these areas.

Operational risks:

Information Security and Privacy remain key risks for the Group. Our focus on information security, technology and operational resilience in recent years, supported by significant investment to uplift capability and capacity in this area across the Group, has been critical in our response to this crisis. This investment has equipped us to effectively enhance digital and telehealth services and enabled our people to work remotely. Our information security efforts have been focused on the increased privacy and information security risks associated with people working from home. Operationally, this has proven effective and been well supported by our technology infrastructure.

Litigation risks:

Following the pandemic we are likely to see extensive and wide ranging reviews into all aspects of the public and private response. These responses will often be judged in hindsight and this increases the risk of potential future litigation for all participants in the health care sector, including Bupa.

Social and environmental risks:

The pandemic has further demonstrated the importance of managing our reputation, with higher scrutiny on the actions of businesses in respect of customers, employees; and their contributions to society. There is also a risk that responses to the pandemic will be judged in hindsight in the future. It is more important now than ever that we continue to deliver on our purpose and serve and support our customers, our people and the communities we operate in.

In order to ensure issues in one business or Market Unit do not spread and impact the trust in our brand in another, contagion risk remains prominent in our operational and reputational risk management agenda with a focus on resolving and learning from issues faced.

Climate change remains one of the major risks we face as a society and is a key area of focus for us. We closely manage our environmental impacts and promote positive environmental practices. The Group's longer term exposure to climate change falls into two broad categories. Physical risks, particularly to the Group's property assets arising from severe weather events; and transition risks from the move to a low carbon economy, which will impact the value of

those investments associated with higher levels of greenhouse gas emissions and affect the broader macroeconomic environment.

We do not have a material direct exposure to investments which may be affected by transitional risks, but we may be affected by impacts on the economy, which negatively impacts on the ability of customers to afford our products. Physical risks may impact the value of property assets in the longer term but increasing weather events will also have an impact on the ability to operate and maintain business continuity in these businesses, particularly the care homes and hospitals which are occupied by vulnerable customers.

There are also potential longer term implications of climate change on the health of our customers. The short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets. We continue to work to ensure our business is equipped to anticipate and mitigate the health impacts of climate change. In 2019, we established a Corporate Responsibility and Sustainability Committee as a management advisory committee to advise management on actions to address the wider ESG agenda, including addressing environment and climate change risks. It's chaired by Nicholas Lyons, Non-Executive Director, and membership includes a mix of management, including the Group CEO and CFO, and Non-Executive Directors.

Our approach to risk management:

We have a well-established process for identifying and managing all business risks, including all types of operational risk such as information security and privacy. Monitoring and managing our risks is key to ensuring that we achieve our strategic objectives in the long-term, meeting the evolving expectations of our customers, people, bondholders and regulators. The pandemic has reinforced that our Risk Management Framework remains appropriate for Bupa and has operated effectively, even during these extraordinary times. Internal controls, particularly regarding customer conduct and information security and privacy, continue to be key areas of focus.

As we hold significant goodwill, intangibles and financial investments on our balance sheet, the crystallisation of the risks set out above could lead to impairments being recognised in future reporting periods. The lack of certainty that exists as a result of the pandemic means that there is significant uncertainty relating to key judgements in the valuation of goodwill in particular. These are set out in detail on page 38 of the condensed consolidated half year financial statements, including sensitivities to movements to these underlying assumptions. A review of goodwill was carried out as at 30 June 2020, with a further assessment planned at the year end.

BUPA AROUND THE WORLD

Bupa is organised into three Market Units:

Australia and New Zealand

- Bupa Health Insurance, with four million customers, is a leading health insurance provider in Australia and also offers health insurance for overseas workers and visitors
- Bupa Health Services is a health provision business, comprising dental, optical, audiology, medical assessment services and health care for the Australian Defence Force
- Bupa Villages and Aged Care Australia cares for around 6,000 residents across 72 homes. Bupa Villages and Aged Care New Zealand cares for around 3,400 residents in 48 homes and 7 rehabilitation centres and provide independent living in 32 retirement villages in New Zealand

Europe and Latin America

- Sanitas Seguros is the second largest health insurance provider in Spain, with 1.8m customers
- Sanitas Dental provides dental services through 194 centres and third-party networks in Spain
- Sanitas Hospitales and New Services comprise four private hospitals, 25 private medical clinics, 18 fertility clinics (in Spain and Portugal), and one public hospital under a Public-Private partnership model
- Sanitas Mayores cares for around 4,900 people in 47 care homes and operates six daycare centres in Spain
- LuxMed is a leading private healthcare business in Poland, operating in health funding and provision through 8 hospitals and 233 private clinics.
- Bupa Chile is a leading health insurer serving 800,000 customers and offering provision services across four hospitals and 34 medical clinics
- Bupa Acibadem Sigorta is Turkey's second largest health insurer, with products for corporate and individual customers, and has around 650,000 customers
- Care Plus is a leading health insurance company in Brazil, with around 120,000 customers, concentrated in São Paulo
- Bupa Mexico is a health insurer offering private medical insurance to individuals and corporates in Mexico, with around 60,000 customers
- Bupa Global Latin America provides international health insurance, local health insurance, and travel insurance to around 80,000 customers. Main operations include Guatemala, Panama, Dominican Republic, Colombia, Ecuador, Bolivia and Chile, as well as a health provision business in Peru

Bupa Global and UK

- Bupa UK Insurance is a leading health insurer, with 2.3m customers
- Bupa Dental Care is the leading provider of private dentistry in the UK with 493 dental centres across the UK and the Republic of Ireland
- Bupa Care Services has around 5,800 residents in 124 care homes, and nine Richmond care villages in the UK
- Bupa Health Services comprises 48 health clinics, and the Bupa Cromwell Hospital
- Bupa Global serves over 550,000 IPMI customers and administers travel insurance and medical assistance for individuals, small businesses and corporate customers

Other businesses

We also have associate health insurance businesses in Saudi Arabia and India, an interest in MyClinic in Saudi Arabia, a health insurance and provision business in Hong Kong SAR and a representative office and medical centre in mainland China.

The British United Provident Association Limited

(Company Number 432511)

Condensed Consolidated Half Year Financial Statements (unaudited)

Six months ended 30 June 2020

The British United Provident Association Limited
Condensed Consolidated Income Statement (unaudited)
for six months ended 30 June 2020

	Note	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Revenues				
Gross insurance premiums		4,387	4,483	9,077
Premiums ceded to reinsurers		(47)	(38)	(79)
Net insurance premiums earned		4,340	4,445	8,998
Care, health and other customer contract revenue		1,467	1,566	3,287
Other revenue		33	14	31
Total revenues	3	5,840	6,025	12,316
Claims and expenses				
Insurance claims incurred		(3,308)	(3,598)	(7,239)
Reinsurers' share of claims incurred		31	24	56
Net insurance claims incurred		(3,277)	(3,574)	(7,183)
Share of post-taxation results of equity accounted investments		36	17	48
Impairment of goodwill and intangible assets		-	(1)	(449)
Other operating expenses		(2,393)	(2,241)	(4,705)
Other income and charges	4	(5)	(2)	(42)
Total claims and expenses		(5,639)	(5,801)	(12,331)
Profit/(loss) before financial income and expense		201	224	(15)
Financial income and expense				
Financial income	5	39	71	110
Financial expense	5	(78)	(79)	(162)
Net impairment loss on financial assets		(9)	(9)	(11)
Net financial expense		(48)	(17)	(63)
Profit/(loss) before taxation expense		153	207	(78)
Taxation expense	6	(44)	(69)	(133)
Profit/(loss) for the financial period		109	138	(211)
Attributable to:				
Bupa		108	136	(213)
Non-controlling interests		1	2	2
Profit/(loss) for the financial period		109	138	(211)

Notes 1-18 form part of these Condensed Consolidated Financial Statements.

The British United Provident Association Limited
Condensed Consolidated Statement of Comprehensive Income (unaudited)
for six months ended 30 June 2020

	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Profit/(loss) for the financial period	109	138	(211)
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Remeasurement gains/(losses) on pension schemes	39	(24)	24
Unrealised (losses)/gains on revaluation of property	(2)	1	18
Taxation (charge)/credit on income and expenses recognised directly in other comprehensive income	(7)	4	(7)
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	72	6	(107)
Other foreign exchange translation differences	177	18	(188)
Net (losses)/gains on hedge of net investment in overseas subsidiary companies	(68)	4	51
Change in fair value of financial investments through other comprehensive income	1	4	5
Change in fair value of underlying derivative of cash flow hedge	-	1	1
Taxation charge on income and expenses recognised directly in other comprehensive income	-	-	(1)
Total other comprehensive income/(expense)	212	14	(204)
Comprehensive income/(expense) for the period	321	152	(415)
Attributable to:			
Bupa	320	150	(415)
Non-controlling interests	1	2	-
Comprehensive income/(expense) for the period	321	152	(415)

Notes 1-18 form part of these Condensed Consolidated Financial Statements.

The British United Provident Association Limited
Condensed Consolidated Statement of Financial Position (unaudited)
as at 30 June 2020

	Note	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Goodwill and intangible assets	7	3,931	3,842	4,351
Property, plant and equipment	8	4,272	4,197	4,254
Investment property		574	522	491
Equity accounted investments		804	716	725
Post-employment benefit net assets	9	698	650	594
Restricted assets	10	123	117	109
Financial investments	11	2,796	2,331	2,519
Derivatives assets		26	59	27
Deferred taxation assets		47	44	42
Current taxation asset		17	13	25
Assets arising from insurance business	12	2,069	1,416	1,994
Inventories		104	98	109
Trade and other receivables		631	589	649
Cash and cash equivalents	13	1,843	1,234	1,679
Assets held for sale	14	292	278	4
Total assets		18,227	16,106	17,572
Subordinated liabilities	15	(1,595)	(1,245)	(1,261)
Other interest bearing liabilities	15	(1,171)	(1,105)	(1,180)
Lease liabilities		(1,087)	(1,068)	(1,113)
Post-employment benefit net liabilities	9	(65)	(62)	(62)
Provisions arising from insurance contracts	16	(4,060)	(2,836)	(3,663)
Derivative liabilities		(86)	(34)	(49)
Provisions for liabilities and charges		(205)	(187)	(194)
Deferred taxation liabilities		(295)	(343)	(344)
Current taxation liabilities		(104)	(43)	(53)
Other liabilities arising from insurance business		(188)	(146)	(198)
Trade and other payables		(1,822)	(1,818)	(1,861)
Liabilities associated with assets held for sale	14	(202)	(193)	-
Total liabilities		(10,880)	(9,080)	(9,978)
Net assets		7,347	7,026	7,594
Equity				
Property revaluation reserve		705	692	696
Income and expenditure reserves		6,202	6,059	6,366
Cash flow hedge reserve		21	21	21
Foreign currency translation reserve		401	237	491
Equity attributable to Bupa		7,329	7,009	7,574
Equity attributable to non-controlling interests		18	17	20
Total equity		7,347	7,026	7,594

Notes 1-18 form part of these Condensed Consolidated Financial Statements.

The British United Provident Association Limited
Condensed Consolidated Statement of Cash Flows (unaudited)
for six months ended 30 June 2020

	Note	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Cash flow from operating activities				
Profit/(loss) before taxation expense		153	207	(78)
<i>Adjustments for:</i>				
Net financial expense		48	17	63
Depreciation, amortisation and impairment		246	243	941
Other non-cash items		(41)	(8)	(44)
<i>Changes in working capital and provisions:</i>				
Increase in provisions and other liabilities arising from insurance contracts		1,179	777	17
Increase in assets arising from insurance business		(621)	(554)	(25)
Funded pension scheme employer contributions		(4)	(9)	(15)
Increase in trade and other receivables, and other assets		(37)	(85)	(131)
(Decrease)/increase in trade and other payables, and other liabilities		(15)	(55)	199
Cash generated from operations		908	533	927
Income taxation paid		(59)	(142)	(220)
Increase in cash held in restricted assets	10	(6)	(2)	(10)
Net cash generated from operating activities		843	389	697
Cash flow from investing activities				
Acquisition of subsidiary companies, net of cash acquired	17	(17)	(140)	(215)
Investment in equity accounted investments		-	(4)	(8)
Dividends received from associates		-	-	13
Disposal of subsidiary companies, net of cash disposed of		(5)	(3)	-
Divestment in equity accounted investments		-	-	4
Purchase of intangible assets	7	(61)	(42)	(162)
Purchase of property, plant and equipment		(90)	(99)	(303)
Proceeds from sale of property, plant and equipment		2	9	12
Purchase of investment property		(27)	(24)	(58)
Disposal of investment property		1	-	4
Net proceeds from sale, maturities and (purchases) of financial investments, excluding deposits with credit institutions		(11)	56	157
Net investment into deposits with credit institutions		(355)	(111)	(92)
Interest received		17	38	83
Net cash used in investing activities		(546)	(320)	(565)
Cash flow from financing activities				
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings		686	162	113
Repayment of interest bearing liabilities and other borrowings		(272)	(48)	(30)
Principal repayment of lease liabilities		(59)	(74)	(114)
Repayment of interest on lease liabilities		(27)	(1)	(57)
Interest paid		(37)	(42)	(91)
(Payments)/receipts on settlement of hedging instruments		(3)	9	(35)
Acquisition of non-controlling interests in subsidiary company	17	-	(2)	(2)
Dividends paid to non-controlling interests		-	(2)	(3)
Net cash generated from/(used in) financing activities		288	2	(219)
Net increase/(decrease) in cash and cash equivalents		585	71	(87)
Cash and cash equivalents at the beginning of period ¹		1,451	1,607	1,607
Effect of exchange rate changes		58	(1)	(69)
Cash and cash equivalents at end of period	13	2,094	1,677	1,451

1. Includes cash balances classified as held for sale of £252m (HY 2019: £nil; FY 2019: £218m) and bank overdrafts of £1m (HY 2019: £2m; FY 2019: £1m) which are not considered as a component of cash and cash equivalents within Note 13.

Notes 1-18 form part of these Condensed Consolidated Financial Statements

The British United Provident Association Limited
Condensed Consolidated Statement of Changes in Equity (unaudited)
for six months ended 30 June 2020

	Property revaluation reserve £m	Income and expenditure reserves £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Equity attributable to Bupa £m	Equity attributable to non- controlling interests £m	Total equity £m
For six months ended 30 June 2020							
Balance as at 1 January 2020	692	6,059	21	237	7,009	17	7,026
Profit for the financial period	-	108	-	-	108	1	109
Other comprehensive income/(expense)							
Unrealised loss on revaluation of property	(2)	-	-	-	(2)	-	(2)
Remeasurement gain on pension schemes	-	39	-	-	39	-	39
Foreign exchange translation differences on goodwill	-	-	-	72	72	-	72
Other foreign exchange translation differences	15	2	-	160	177	-	177
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(68)	(68)	-	(68)
Change in fair value of financial investments through other comprehensive income	-	1	-	-	1	-	1
Taxation charge on income and expense recognised directly in other comprehensive income	-	(7)	-	-	(7)	-	(7)
Other comprehensive income for the period, net of taxation	13	35	-	164	212	-	212
Total comprehensive income for the period	13	143	-	164	320	1	321
Balance as at 30 June 2020	705	6,202	21	401	7,329	18	7,347

Notes 1-18 form part of these Condensed Consolidated Financial Statements

The British United Provident Association Limited
Condensed Consolidated Statement of Changes in Equity (unaudited)
for six months ended 30 June 2020

	Property revaluation reserve £m	Income and expenditure reserves £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Equity attributable to Bupa £m	Equity attributable to non- controlling interests £m	Total equity £m
For year ended 31 December 2019							
Balance as at 1 January 2019, as previously reported	700	6,306	20	464	7,490	20	7,510
Opening balance adjustments	(3)	(61)	-	-	(64)	-	(64)
Balance as at 1 January 2019, as restated	697	6,245	20	464	7,426	20	7,446
(Loss)/profit for the financial period	-	(213)	-	-	(213)	2	(211)
Other comprehensive (expense)/ income							
Unrealised gain on revaluation of property	18	-	-	-	18	-	18
Realised revaluation profit on disposal of property	(2)	2	-	-	-	-	-
Remeasurement gain on pension schemes	-	24	-	-	24	-	24
Foreign exchange translation differences on goodwill	-	-	-	(107)	(107)	-	(107)
Other foreign exchange translation differences	(18)	3	-	(171)	(186)	(2)	(188)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	51	51	-	51
Change in fair value of financial investments through other comprehensive income	-	5	-	-	5	-	5
Change in fair value of underlying derivative of cash flow hedge	-	-	1	-	1	-	1
Taxation charge on income and expense recognised directly in other comprehensive income	(3)	(5)	-	-	(8)	-	(8)
Other comprehensive (expense)/ income for the period, net of taxation	(5)	29	1	(227)	(202)	(2)	(204)
Total comprehensive (expense)/ income for the period	(5)	(184)	1	(227)	(415)	-	(415)
Acquisition of subsidiary companies attributable to non-controlling interests	-	(2)	-	-	(2)	-	(2)
Dividends paid to non-controlling interests	-	-	-	-	-	(3)	(3)
Balance as at 31 December 2019	692	6,059	21	237	7,009	17	7,026

Notes 1-18 form part of these Condensed Consolidated Financial Statements

The British United Provident Association Limited
Condensed Consolidated Statement of Changes in Equity (unaudited)
for six months ended 30 June 2020

	Property revaluation reserve £m	Income and expenditure reserves £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Equity attributable to Bupa £m	Equity attributable to non- controlling interests £m	Total equity £m
For six months ended 30 June 2019							
Balance as at 1 January 2019, as previously reported	700	6,306	20	464	7,490	20	7,510
Opening balance adjustments	(3)	(61)	-	-	(64)	-	(64)
Balance as at 1 January 2019, as restated	697	6,245	20	464	7,426	20	7,446
Profit for the financial period	-	136	-	-	136	2	138
Other comprehensive income/(expense)							
Unrealised gain on revaluation of property	1	-	-	-	1	-	1
Realised revaluation profit on disposal of property	(2)	2	-	-	-	-	-
Remeasurement loss on pension schemes	-	(24)	-	-	(24)	-	(24)
Change in fair value of financial investments through other comprehensive income	-	4	-	-	4	-	4
Foreign exchange translation differences on goodwill	-	-	-	6	6	-	6
Other foreign exchange translation differences	-	1	-	17	18	-	18
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	4	4	-	4
Change in fair value of underlying derivative of cash flow hedge	-	-	1	-	1	-	1
Taxation credit on income and expense recognised directly in other comprehensive income	-	4	-	-	4	-	4
Other comprehensive income/(expense) for the period, net of taxation	(1)	(13)	1	27	14	-	14
Total comprehensive income/(expense) for the period	(1)	123	1	27	150	2	152
Acquisition of subsidiary companies attributable to non-controlling interests	-	(2)	-	-	(2)	-	(2)
Dividends paid to non-controlling interests	-	-	-	-	-	(2)	(2)
Balance as at 30 June 2019	696	6,366	21	491	7,574	20	7,594

Notes 1-18 form part of these Condensed Consolidated Financial Statements

The British United Provident Association Limited

Notes to the Condensed Consolidated Financial Statements (unaudited)

for six months ended 30 June 2020

1 Financial information and basis of preparation

1.1 Basis of preparation

The British United Provident Association Limited ('Bupa' or the 'Company'), a company limited by guarantee and incorporated in England and Wales, together with its subsidiaries (collectively the 'Group') is an international healthcare business, providing health insurance, treatment in clinics, dental centres and hospitals, and operating care homes. The Company is the ultimate parent entity of the Group.

The condensed consolidated half year financial statements of the Company as at and for the six months ended 30 June 2020 comprise those of the Company and its subsidiary companies.

The interim financial statements have been prepared in accordance with Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard ('IAS') 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 2019, which have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the EU.

The interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors of Bupa on 6 August 2020.

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. The comparative figures for the financial year ended 31 December 2019 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

1.2 Going concern

Management has conducted a detailed assessment of 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 next twelve months. In making this assessment, management have considered forecasts which take account of reasonably possible changes in trading performance, liquidity and solvency capital as well as detailed stress and scenario testing. In doing this, the Group has explicitly considered further possible impacts of COVID-19 related risks.

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 Half Year 2020 Results Announcement. This includes changes to key risks and uncertainties in light of the COVID-19 pandemic within the Business Risks section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Financial Review of the Half Year 2020 Results Announcement.

1.3 Accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies.

Areas that have been recognised as being particularly sensitive to the impact of COVID-19 are set out below, with more detail on any judgements taken included in the related notes.

Goodwill and intangible assets

Goodwill and intangible assets are recognised on business combinations and are tested for impairment on an annual basis, or where there are indicators of impairment. The key assumptions within this process include the discount rate, terminal growth rate and the forecast cash flows. In the current environment, these are key sources of estimation uncertainty and goodwill impairment tests have been carried out for cash generating units with limited headroom. The outcome of Goodwill impairment test reviews and sensitivities to reasonably possible changes in assumptions are included in Note 7.

Property valuations

The Group has a significant portfolio of care home, hospital and office properties. Significant assumptions for freehold properties include average occupancy and capitalisation rates, whereas for investment property key assumptions include discount and capital growth rates. Given the lack of recent observable market transactions and that the longer term economic and social impacts of COVID-19 are not yet fully known, these valuations are subject to a high degree of judgement and uncertainty.

The British United Provident Association Limited

Notes to the Condensed Consolidated Financial Statements (unaudited)

for six months ended 30 June 2020

Provisions arising from insurance contracts

Across the Group's insurance businesses, claims volumes were reduced due to the restrictions on access to hospitals for elective surgery during the various lockdowns. Reserves have been established prudently at the half year, as increased claims are expected to be paid in future, as customers access the treatments and procedures that have been deferred due to the lockdowns. Further details of the reserving approach are included in Note 16.

1.4 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

1.4.1 2019 Transitional impacts

The Group adopted IFRS 16 Leases with a date of initial application of 1 January 2019. For the majority of leases, the Group applied IFRS 16 using the modified retrospective approach, where the right-of-use assets equal the lease liabilities on transition, adjusted by the amount of any prepayments, intangible assets and onerous lease provisions. For a small proportion of leases, the modified retrospective approach for the right-of-use asset was determined as if IFRS 16 had been applied since the lease commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. The cumulative impact of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained earnings.

On transition to IFRS 16 on 1 January 2019, leases previously classified as finance leases under IAS 17 were recognised as a right-of-use asset and lease liability based on the carrying amount of the finance lease asset and liability as at 31 December 2018. These leases are subsequently measured under IFRS 16 principles. Other reclassifications related to previously recognised lease intangible assets/liabilities arising on business combinations due to favourable/unfavourable lease terms, prepayments and accruals, which were all reclassified to the right-of-use asset on transition.

The impact of implementing IFRS 16 on 1 January 2019 is set out below:

	Measurement adjustments	Reclassifications	Total
	£m	£m	£m
Goodwill and intangible assets	-	(18)	(18)
Property, plant and equipment (right-of-use assets)	1,023	28	1,051
Property, plant and equipment (leasehold property/equipment)	-	(11)	(11)
Investment property (right-of-use asset)	-	2	2
Deferred taxation assets	13	-	13
Trade and other receivables	-	(23)	(23)
Other interest bearing liabilities	-	4	4
Lease liabilities	(1,100)	(1)	(1,101)
Trade and other payables	-	19	19
Total impact on net assets	(64)	-	(64)

In addition, £3m was reclassified from the property revaluation reserve to the income and expenditure reserves as a result of reclassifying finance leased property assets to right-of-use assets on implementation of IFRS 16.

1.5 Foreign exchange

The following significant exchange rates applied during the period:

	Average rate			Closing rate		
	At 30 June 2020	At 31 December 2019	At 30 June 2019	At 30 June 2020	At 31 December 2019	At 30 June 2019
Australian dollar	1.92	1.84	1.83	1.80	1.89	1.81
Brazilian real	6.17	5.03	4.97	6.72	5.32	4.87
Chilean peso	1,024.77	898.47	873.84	1,016.91	995.54	861.30
Danish krone	8.54	8.52	8.55	8.22	8.82	8.34
Euro	1.14	1.14	1.15	1.10	1.18	1.12
Hong Kong dollar	9.79	10.00	10.15	9.59	10.31	9.92
Mexican peso	27.19	24.58	24.79	28.49	25.03	24.35
New Zealand dollar	2.01	1.94	1.93	1.92	1.97	1.89
Polish zloty	5.04	4.90	4.92	4.90	5.02	4.74
Turkish lira	8.16	7.25	7.27	8.49	7.88	7.35
US dollar	1.26	1.28	1.29	1.24	1.32	1.27

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

2 Operating segments

During the second half of 2019, the Group announced a simplification of the organisational structure, to manage the Group through three Market Units based on geographic locations and customers: Australia and New Zealand; Europe and Latin America; and Bupa Global and UK. 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 consistently with the way the business is managed and reported internally.

Businesses previously part of International Markets have been reallocated. Bupa Global Business Unit is now part of Bupa Global and UK. Bupa Global Latin America and Bupa Acibadem Sigorta are now part of Europe and Latin America and from 30 June 2020 Bupa Global Latin America has been split to report business in Brazil and Mexico separately. All remaining International Markets business units, including Bupa Hong Kong, Bupa China and the Group's associate investments, Bupa Arabia and Max Bupa, are reported within Other businesses. Comparative information has been restated accordingly.

Reportable Segments	Service and Products
Australia and New Zealand	Bupa Health Insurance: Domestic health insurance and international health cover in Australia. Bupa Health Services: Health provision services relating to dental, optical, audiology and medical assessments and therapy. Bupa Villages and Aged Care - Australia: Nursing, residential and respite care. Bupa Villages and Aged Care - New Zealand: Nursing, residential, respite care and residential villages.
Europe and Latin America	Sanitas Seguros: Health insurance and related products in Spain. Sanitas Dental: Insurance and dental services through clinics and third-party networks in Spain. Sanitas Hospitales and New Services: Management and operation of hospitals and health clinics in Spain. Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain. LuxMed: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland. Bupa Acibadem Sigorta: Domestic health insurance in Turkey. Bupa Chile: Domestic health insurance and the management and operation of health clinics and hospitals in Chile. Care Plus: Domestic health insurance in Brazil. Bupa Mexico: Domestic health insurance in Mexico. Bupa Global Latin America: International health insurance.
Bupa Global and UK	Bupa UK Insurance: Domestic health insurance, and administration services for Bupa health trusts. Bupa Dental Care UK: Dental services and related products. Bupa Care Services: Nursing, residential, respite care and care villages. Bupa Health Services: Clinical services, health assessment related products and management and operation of a private hospital. Bupa Global: International health insurance to individuals, small businesses and corporate customers.
Other businesses	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics. Bupa China: Clinical services. Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Max Bupa (India): Health insurance.

A key performance measure of operating segments utilised by the Group is underlying profit. This measurement basis distinguishes underlying profit from other constituents of the IFRS reported profit before taxation not directly related to the trading performance of the business.

Underlying profit

The following items are excluded from underlying profit:

- Impairment of intangible assets and goodwill arising on business combinations – impairment reviews are performed at least annually. Goodwill impairments are considered to be one-off and not reflective of the in-year trading performance of the business.
- Net gains/losses on disposal of businesses and transaction costs on business combinations – gains/losses on disposal of businesses that are material and one-off in nature to the reportable segment are not considered part of the continuing business. Transaction costs that relate to material acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. Includes unrealised gains or losses on investment properties, deficit on revaluations and property impairment losses.
- Realised and unrealised foreign exchange gains/losses – short-term fluctuations outside of management control, which would distort underlying trading performance.
- Gains/losses on return-seeking assets, net of hedging – fluctuations on investments that are not considered to be directly related to underlying trading performance.
- Other Market Unit/Group non-underlying items – includes items that are considered material to the reportable segment or Group and are not reflective of ongoing trading performance.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

The total underlying profit of the reportable segments is reconciled below to the profit before taxation expense in the Consolidated Income Statement.

	Australia and New Zealand £m	Europe and Latin America £m	Bupa Global and UK £m	Other businesses £m	Total £m
For six months ended 30 June 2020					
(i) Revenues					
Gross insurance premiums	1,756	1,326	1,108	197	4,387
Premiums ceded to reinsurers	-	(11)	(34)	(2)	(47)
Internal reinsurance	-	-	24	(24)	-
Net insurance premiums earned	1,756	1,315	1,098	171	4,340
Care, health and other customer contract revenues	459	510	430	68	1,467
Other revenues	23	2	4	4	33
Total revenues for reportable segments	2,238	1,827	1,532	243	5,840
Consolidated total revenues					5,840
(ii) Segmental result					
Underlying profit for reportable segments	49	73	22	34	178
Central expenses and net interest margin					(38)
Underlying profit for reportable segments					140
Non-underlying items:					
Net losses on disposal of businesses and transaction costs on business combinations	-	(3)	(2)	-	(5)
Net property revaluation gains	10	-	-	-	10
Realised and unrealised FX gains	-	8	5	1	14
Losses on return-seeking assets, net of hedging					(5)
Central non-underlying items					(1)
Total non-underlying items					13
Consolidated profit before taxation expense					153
For six months ended 30 June 2019					
	£m	£m	£m	£m	£m
(i) Revenues					
Gross insurance premiums	1,851	1,317	1,137	178	4,483
Premiums ceded to reinsurers	-	(10)	(28)	-	(38)
Internal reinsurance	-	-	27	(27)	-
Net insurance premiums earned	1,851	1,307	1,136	151	4,445
Care, health and other customer contract revenues	395	581	508	82	1,566
Other revenues	8	2	3	2	15
Total revenue for reportable segments	2,254	1,890	1,647	235	6,026
Net reclassifications to other expenses or financial income and expense					(1)
Consolidated total revenues					6,025
(ii) Segmental result					
Underlying profit for reportable segments	79	73	50	17	219
Central expenses and net interest margin					(24)
Underlying profit for reportable segments					195
Non-underlying items:					
Net losses on disposal of businesses and transaction costs on business combinations	-	(3)	(2)	-	(5)
Net property revaluation gains	8	-	-	-	8
Realised and unrealised FX losses	-	-	(9)	-	(9)
Gains on return-seeking assets, net of hedging					24
Central non-underlying items					(6)
Total non-underlying items					12
Consolidated profit before taxation expense					207

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

For year ended 31 December 2019	Australia and New Zealand £m	Europe and Latin America £m	Bupa Global and UK £m	Other businesses £m	Total £m
(i) Revenues					
Gross insurance premiums	3,731	2,685	2,295	366	9,077
Premiums ceded to reinsurers	-	(21)	(57)	(1)	(79)
Internal reinsurance	-	1	49	(50)	-
Net insurance premiums earned	3,731	2,665	2,287	315	8,998
Care, health and other customer contract revenues	906	1,184	1,028	169	3,287
Other revenues	15	4	8	4	31
Total revenue for reportable segments	4,652	3,853	3,323	488	12,316
Consolidated total revenues					12,316
(ii) Segmental result					
Underlying profit for reportable segments	160	156	117	46	479
Central expenses and net interest margin					(63)
Underlying profit for reportable segments					416
Non-underlying items:					
Impairments of intangible assets and goodwill arising on business combinations	(177)	(24)	(242)	-	(443)
Net losses on disposal of businesses and transaction costs on business combinations	-	(28)	(3)	-	(31)
Net property revaluation gains/(losses)	9	(1)	(2)	-	6
Realised and unrealised FX losses	-	(6)	(17)	-	(23)
Group non-underlying items					(31)
Gains on return-seeking assets, net of hedging					28
Total non-underlying items					(494)
Consolidated loss before taxation expense					(78)

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

3 Revenue

Revenue has been analysed at Business Unit level reflecting the nature of services provided by each geography that is reported internally to management.

	Care, health and other customer contract revenue	Net insurance premiums earned	Other revenue	Total revenues
	£m	£m	£m	£m
For six months ended 30 June 2020				
Bupa Health Insurance	3	1,756	1	1,760
Bupa Health Services	239	-	12	251
Bupa Villages and Aged Care - Australia	149	-	3	152
Bupa Villages and Aged Care - New Zealand	68	-	7	75
Australia and New Zealand	459	1,756	23	2,238
Sanitas Seguros	4	592	-	596
Sanitas Dental	32	32	1	65
Sanitas Hospitales and New Services	98	-	-	98
Sanitas Mayores	70	-	-	70
LuxMed	192	5	-	197
Bupa Acibadem Sigorta	-	104	-	104
Bupa Chile	109	342	1	452
Care Plus	1	91	-	92
Bupa Mexico	-	7	-	7
Bupa Global Latin America	4	142	-	146
Europe and Latin America	510	1,315	2	1,827
Bupa UK Insurance	7	719	2	728
Bupa Dental Care UK	166	-	-	166
Bupa Care Services	192	-	-	192
Bupa Health Services	65	-	-	65
Bupa Global	-	379	2	381
Bupa Global and UK	430	1,098	4	1,532
Bupa Hong Kong	68	171	-	239
Other	-	-	4	4
Other businesses	68	171	4	243
Consolidated total revenues	1,467	4,340	33	5,840

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

	Care, health and other customer contract revenue (restated) £m	Net insurance premiums earned (restated) £m	Other revenue (restated) £m	Total revenues £m
For six months ended 30 June 2019				
Bupa Health Insurance	4	1,851	1	1,856
Bupa Health Services	151	-	1	152
Bupa Villages and Aged Care - Australia	170	-	-	170
Bupa Villages and Aged Care - New Zealand	70	-	6	76
Australia and New Zealand	395	1,851	8	2,254
Sanitas Seguros	4	570	-	574
Sanitas Dental	42	30	1	73
Sanitas Hospitales and New Services	112	-	-	112
Sanitas Mayores	72	-	-	72
LuxMed	183	5	-	188
Bupa Acibadem Sigorta	-	82	-	82
Bupa Chile	166	372	1	539
Care Plus	1	99	-	100
Bupa Mexico	-	7	-	7
Bupa Global Latin America	1	142	-	143
Europe and Latin America	581	1,307	2	1,890
Bupa UK Insurance	8	760	1	769
Bupa Dental Care UK	224	-	-	224
Bupa Care Services	204	-	-	204
Bupa Health Services	72	-	-	72
Bupa Global	-	376	2	378
Bupa Global and UK	508	1,136	3	1,647
Bupa Hong Kong	82	151	-	233
Other	-	-	2	2
Other businesses	82	151	2	235
Net reclassifications to other expenses or financial income and expense	-	-	(1)	(1)
Consolidated total revenues	1,566	4,445	14	6,025

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

For year ended 31 December 2019	Care, health and other customer contract revenue (restated) £m	Net insurance premiums earned (restated) £m	Other revenue (restated) £m	Total revenues £m
Bupa Health Insurance	8	3,731	2	3,741
Bupa Health Services	428	-	-	428
Bupa Villages and Aged Care - Australia	330	-	-	330
Bupa Villages and Aged Care - New Zealand	140	-	13	153
Australia and New Zealand	906	3,731	15	4,652
Sanitas Seguros	8	1,149	1	1,158
Sanitas Dental	83	62	1	146
Sanitas Hospitales and New Services	230	-	1	231
Sanitas Mayores	148	-	-	148
LuxMed	383	10	-	393
Bupa Acıbadem Sigorta	-	185	-	185
Bupa Chile	330	744	1	1,075
Care Plus	2	205	-	207
Bupa Mexico	-	15	-	15
Bupa Global Latin America	-	295	-	295
Europe and Latin America	1,184	2,665	4	3,853
Bupa UK Insurance	15	1,537	3	1,555
Bupa Dental Care UK	454	-	1	455
Bupa Care Services	408	-	-	408
Bupa Health Services	150	-	1	151
Bupa Global	1	750	3	754
Bupa Global and UK	1,028	2,287	8	3,323
Bupa Hong Kong	169	315	-	484
Other	-	-	4	4
Other businesses	169	315	4	488
Consolidated total revenues	3,287	8,998	31	12,316

4 Other income and charges

	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Net loss on disposal and restructuring of businesses ¹	(5)	(3)	(24)
Deficit on revaluation of property	-	-	(19)
Net gains on disposal of property, plant and equipment	-	1	1
Total other income and charges	(5)	(2)	(42)

1. Net loss on disposal and restructuring of businesses includes a loss of £3m (FY 2019: loss of £26m) in respect of a provision business in the Europe and Latin America segment classified as held for sale.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

5 Financial income and expense

Financial income

	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Interest income:			
Investments at fair value through profit or loss	12	13	28
Investments at fair value through other comprehensive income	-	3	1
Investments at amortised cost	15	28	51
Net realised (losses)/gains:			
Net realised (losses)/gains on financial investments at fair value through profit or loss	(3)	1	9
Net realised gains on financial investments designated at fair value through other comprehensive income	2	-	-
Net increase in fair value:			
Investments at fair value through profit or loss	-	27	13
Investment property	11	8	25
Net foreign exchange translation gains/(losses)	2	(9)	(17)
Total financial income	39	71	110

Included within financial income is a net loss, after hedging, on the Group's return-seeking asset portfolio of £5m (HY 2019: net gain of £24m; FY 2019: net gain of £28m).

Financial expense

	For six months ended 30 June 2020 £m	For six months ended 30 June 2019 £m	For year ended 31 December 2019 £m
Interest expense on financial liabilities at amortised cost	49	48	100
Finance charges in respect of leases and restoration provisions	28	29	58
Other financial expenses	1	2	4
Total financial expenses	78	79	162

6 Taxation expense

The Group's effective tax rate for the period was 29% (HY 2019: 33%; FY 2019: (171)%), which is higher than the current UK corporation tax rate of 19%. This is mainly due to profits arising in jurisdictions with a higher rate of corporate income tax and deferred tax adjustments arising from changes to the enacted UK corporation tax rate.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

7 Goodwill and intangible assets

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Net book value at beginning of period	3,842	4,263	4,263
Adoption of IFRS 16 Leases (Note 1.4)	-	(18)	(18)
Assets arising on business combinations	11	206	130
Additions	61	162	42
Disposals	-	(5)	(1)
Amortisation for the period	(79)	(161)	(77)
Impairments	-	(449)	(1)
Other	3	(2)	1
Foreign exchange	93	(154)	12
Net book value at end of period	3,931	3,842	4,351

The net book value of intangible assets comprises:

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Goodwill	2,626	2,544	3,049
Computer software	373	342	313
Brands and trademarks	176	181	228
Customer relationships	552	575	576
Other	204	200	185
Net book value at end of period	3,931	3,842	4,351

Intangible assets of £3,931m (HY 2019: £4,351m; FY 2019: £3,842m) includes £932m (HY 2019: £989m; FY 2019: £956m) attributable to other intangible assets arising on business combinations. This comprises customer relationships, brands and trademarks and other in the above table.

Impairment testing of goodwill

Goodwill is tested at least annually for impairment in accordance with IAS 36 Impairment of Assets and IAS 38 Intangible Assets. A review of goodwill was carried out as at 30 June 2020, which resulted in no impairments. It has highlighted some cash generating units ('CGU') where a reasonably possible change in assumptions could give rise to an impairment in future, as set out below.

Goodwill by CGU is as follows:

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Australia and New Zealand			
Bupa Australia Health Insurance	883	840	875
Bupa Health Services Australia	308	292	297
Bupa Villages and Aged Care - Australia	84	80	268
Europe and Latin America			
Bupa Chile	146	150	173
LuxMed	260	250	255
Sanitas Seguros	102	95	102
Sanitas Mayores	22	21	22
Bupa Acibadem Sigorta	49	53	57
Care Plus	20	24	27
Bupa Global and UK			
Bupa Care Services UK	90	90	90
Bupa Dental Care UK	468	463	677
Bupa Global	68	68	68
Bupa Cromwell Hospital	-	-	16
Other	2	3	3
Other businesses			
Hong Kong ¹	124	115	119
Total	2,626	2,544	3,049

1. From 2019, the Hong Kong Quality HealthCare and Insurance businesses are being managed as a single business unit, and are now treated as a single Hong Kong CGU reflecting the operating structure of the business.

COVID-19 has caused significant disruption across the Group's provision and aged care businesses, particularly the closure of a number of provision businesses during the peak period of lockdown in their given geography. Goodwill impairment testing has therefore been carried out on CGUs where there is evidence that there is limited headroom at 30 June 2020.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

A key judgement in performing this testing is the assumptions underlying the five year cashflow forecasts of the businesses. For aged care, key drivers are occupancy rates, fee rates, staff costs and operating expenses. For provision business these are driven by available clinician hours, fee rates and operating expenses. For UK Dental, cashflows are particularly sensitive to the availability of dentists for the Group to recruit.

The goodwill tests have been performed using the latest cashflow forecasts for the CGUs as at 30 June 2020. These reflect the anticipated recovery of the businesses over the medium term along-side the impacts of management actions, such as delaying capital expenditure, that have been implemented in the short term. Given the uncertainty regarding potential second wave lockdowns, and acknowledging that the longer term economic and social impact of COVID-19 is not yet fully known, projecting future cash flows is inevitably judgemental and will require periodic further review. For further details of current business risks, see page 15.

The tests have not indicated that an impairment of goodwill is required for any of the CGUs. Sensitivities have been provided below for CGUs where a reasonably possible change to the discount rate, terminal growth rate or cash flows could give rise to an impairment in the future.

	Headroom £m	Discount rate %	Terminal growth rate %	Reduction in headroom from 0.5% increase in discount rate £m	Reduction in headroom from 0.5% reduction in terminal growth rate £m	Reduction in headroom from 10% reduction in cashflows £m
Bupa Villages and Aged Care –						
Australia	14	9.5	3.0	(36)	(30)	(48)
Bupa Chile	52	10.3	3.0	(45)	(37)	(75)
LuxMed	41	9.0	3.6	(50)	(43)	(51)
Bupa Care Services UK	45	6.5	2.6	(89)	(79)	(63)
Bupa Dental Care UK	2	6.5	2.6	(103)	(91)	(82)

8 Property, plant and equipment

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Net book value at beginning of period	4,197	3,200	3,200
Adoption of IFRS 16 Leases (Note 1.4)	-	1,040	1,040
Additions through business combinations	1	15	2
Additions	115	443	148
Transfer to assets held for sale	(1)	(3)	(1)
Disposals	(2)	(11)	(3)
Revaluations	(2)	(1)	1
Remeasurement of lease right-of-use assets	28	-	25
Depreciation charge for the period	(167)	(331)	(165)
Other	(4)	1	(3)
Foreign exchange	107	(156)	10
Net book value at end of period	4,272	4,197	4,254

Property, plant and equipment are the physical assets utilised by the Group to carry out business activities and generate revenues and profits. Most of the assets held relate to care homes, hospital properties, office buildings and equipment. Lease right-of-use assets, recognised on transition to IFRS 16 Leases, relate primarily to property leases.

Care home and hospital freehold property valuations are determined based on a capitalisation of earnings approach (i.e. each facility's normalised earnings are divided by an appropriate capitalisation rate to determine a value in use). All other properties are valued by external valuers, based on observable market values of similar properties. Given the lack of recent observable market transactions and that the longer term economic and social impact of COVID-19 is not yet fully known, the valuations are subject to a high degree of judgement and uncertainty and will require periodic further review. A review of property valuations at 30 June 2020 resulted in write-downs of £2m in respect of owned property.

Right-of-use assets in relation to property leases, are carried at historical cost less depreciation. An assessment for indicators of impairment of right-of-use assets is made at the CGU level of the business concerned, based on value in use. If impairment testing is required, key assumptions include future projected cash flows and discount rates. Whilst no indicators of impairment have been identified as at 30 June 2020, as with other key accounting judgements, there is future uncertainty as the longer term economic and social impacts of COVID-19 are fully understood.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

9 Post-employment benefits

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees and Directors, in addition to an unfunded scheme and a post-retirement medical benefit scheme.

The defined benefit pension schemes provide benefits based on final pensionable salary. The Group's net obligation in respect of the defined benefit pension and the post-retirement medical scheme is calculated separately for each scheme and represents the present value of the defined benefit obligation less, for funded schemes, the fair value of scheme assets. The discount rate used is the yield at the balance sheet date on high-quality corporate bonds denominated in the currency in which the benefit will be paid. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

The main defined benefit scheme is The Bupa Pension Scheme which has been closed to new entrants since 1 October 2002. The Bupa Pension Scheme has been valued as at 30 June 2020, under IAS 19 Employee Benefits, using the projected unit method based on data used for the most recent triennial valuation as at 1 July 2017.

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 Condensed Consolidated Statement of Financial Position to support the unfunded schemes; however, provisions are included in the Condensed Consolidated Statement of Financial Position in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2020 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 2020 by an actuary employed by the Group using the same key assumptions as adopted at 30 June 2020 under IAS 19 for The Bupa Pension Scheme.

Amount recognised in the Condensed Consolidated Income Statement

The amounts credited to other operating expenses for the period are:

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Current service cost	4	10	4
Gain on settlement	-	(1)	(1)
Net interest on defined benefit liability/asset	(6)	(16)	(8)
Administrative expenses	1	1	1
Total amount credited to the Condensed Consolidated Income Statement	(1)	(6)	(4)

Assets and liabilities of schemes

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

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Present value of funded obligations	(1,876)	(1,696)	(1,750)
Fair value of scheme assets	2,566	2,338	2,336
Net assets of funded schemes	690	642	586
Present value of unfunded obligations	(57)	(54)	(54)
Net recognised assets	633	588	532
Represented on the Condensed Consolidated Statement of Financial Position:			
Net liabilities	(65)	(62)	(62)
Net assets	698	650	594
Net recognised assets	633	588	532

As the Bupa Pension Scheme has a large degree of interest rate and inflation hedging in place, via a liability-driven investment strategy that utilises a combination of high quality gilts and swaps, assets have moved broadly in the same direction as the liabilities over the period.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

10 Restricted assets

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Non-current restricted assets	44	44	42
Current restricted assets	79	73	67
Total restricted assets	123	117	109

Restricted assets are amounts held in respect of specific obligations and potential liabilities and may be used only to discharge those obligations and potential liabilities should they crystallise. The non-current restricted assets balance of £44m (HY 2019: £42m; FY 2019: £44m) consists of cash deposits held to secure a charge over the non-registered pension arrangement. Included in current restricted assets is £77m (HY 2019: £65m; FY 2019: £72m) in respect of claims funds held on behalf of corporate customers.

11 Financial investments

The Group generates cash from its underwriting, trading and financing activities and invests the surplus cash in financial investments. These include government bonds, corporate bonds, pooled investments funds and deposits with credit institutions.

Classification

All financial investments are initially recognised at fair value, which includes transaction costs for financial investments not classified at fair value through profit or loss.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial investments at initial recognition are recorded using trade date accounting.

The Group has classified its financial investments into the following categories: at fair value through profit or loss ('FVTPL'), at fair value through other comprehensive income ('FVOCI') and at amortised cost.

Impairment

Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses ('ECL'), depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECL reflects a probability-weighted outcome, the time value of money and the best available forward-looking information. The ECL should be based on reasonable and supportable information that is available without undue cost or effort. An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. it is investment grade).

As the Group's financial investments at FVOCI and amortised cost are all either investment grade or short term, 12-month ECL is applied. For financial investments, an option pricing probability model is used as the basis for assessing ECL. ECL for trade and other receivables is measured at lifetime ECL using a provision matrix.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

	At 30 June 2020		At 31 December 2019		At 30 June 2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Fair value through profit or loss						
Corporate debt securities and secured loans	311	311	335	335	349	349
Government debt securities	49	49	52	52	47	47
Pooled investment funds	221	221	220	220	220	220
Deposits with credit institutions	1	1	1	1	2	2
Other loans	6	6	5	5	9	9
Equities	12	12	13	13	21	21
Fair value through other comprehensive income						
Corporate debt securities and secured loans	100	100	31	31	30	30
Government debt securities	35	35	52	52	66	66
Amortised cost						
Corporate debt securities and secured loans	650	656	627	631	702	705
Government debt securities	139	141	129	130	155	159
Deposits with credit institutions	1,271	1,278	865	867	917	921
Other loans	1	1	1	1	1	1
Total financial investments	2,796	2,811	2,331	2,338	2,519	2,530
Non-current	990	998	767	770	837	840
Current	1,806	1,813	1,564	1,568	1,682	1,690

The performance of the Group's financial investments has been resilient during the period, largely due to the proportion invested in high credit quality bank deposits and liquidity funds. Certain insurance businesses in the Group also invest in smaller return-seeking asset portfolios of bonds and loans, where there has also not been a significant decline in value.

Fair value of financial investments

Fair value is a market-based measurement of assets based on 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).

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 supported by market transactions and observable market data provided 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 investment by hierarchy level is as follows:

As at 30 June 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fair value through profit or loss				
Corporate debt securities and secured loans	14	297	-	311
Government debt securities	49	-	-	49
Pooled investment funds	47	167	7	221
Deposits with credit institutions	1	-	-	1
Other loans	-	-	6	6
Equities	-	-	12	12
Fair value through other comprehensive income				
Corporate debt securities and secured loans	100	-	-	100
Government debt securities	35	-	-	35
Amortised cost				
Corporate debt securities and secured loans	653	3	-	656
Government debt securities	140	1	-	141
Deposits with credit institutions	-	1,278	-	1,278
Other loans	-	1	-	1
Total financial investments	1,039	1,747	25	2,811

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

As at 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fair value through profit or loss				
Corporate debt securities and secured loans	18	317	-	335
Government debt securities	52	-	-	52
Pooled investment funds	48	168	4	220
Deposits with credit institutions	1	-	-	1
Other loans	-	-	5	5
Equities	-	-	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	31	-	-	31
Government debt securities	52	-	-	52
Amortised cost				
Corporate debt securities and secured loans	629	2	-	631
Government debt securities	129	1	-	130
Deposits with credit institutions	-	867	-	867
Other loans	-	1	-	1
Total financial investments	960	1,356	22	2,338

As at 30 June 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fair value through profit or loss				
Corporate debt securities and secured loans	26	323	-	349
Government debt securities	47	-	-	47
Pooled investment funds	46	171	3	220
Deposits with credit institutions	2	-	-	2
Other loans	-	-	9	9
Equities	-	-	21	21
Fair value through other comprehensive income				
Corporate debt securities and secured loans	30	-	-	30
Government debt securities	66	-	-	66
Amortised cost				
Corporate debt securities and secured loans	703	2	-	705
Government debt securities	158	1	-	159
Deposits with credit institutions	-	921	-	921
Other loans	-	1	-	1
Total financial investments	1,078	1,419	33	2,530

The Group currently holds Level 3 financial investments totalling £25m (HY 2019: £33m; FY 2019: £22m). The majority of investments are unlisted equities and convertible notes valued at the recent subscription value and conversion price, which are deemed to be unobservable inputs. Reasonably possible changes to the valuation assumptions applied could result in a change in fair value of plus or minus £2m.

The table below shows movement in the Level 3 assets measured at fair value:

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Opening balance	22	32	32
Additions	2	17	-
Net decrease in fair value	-	(17)	-
Disposals	-	(9)	-
Foreign exchange	1	(1)	1
Total Level 3 assets measured at fair value	25	22	33

There have been no transfers in or out of Level 3 during the period.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

12 Assets arising from insurance business

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Insurance debtors	1,744	1,143	1,684
Ceded insurance provisions (see Note 16)	54	24	45
Deferred acquisition costs	188	160	173
Medicare Rebate	74	73	68
Risk Equalisation Special Account recoveries	9	16	24
Total assets arising from insurance business	2,069	1,416	1,994
Non-current	12	27	15
Current	2,057	1,389	1,979

Due to the nature of the Group's insurance business and the timing of renewals, half year balances are higher than year end.

13 Cash and cash equivalents

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Cash at bank and in hand	1,132	807	1,098
Short-term deposits	711	427	581
Total cash and cash equivalents	1,843	1,234	1,679

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments (including money market funds) with original maturities of three months or less, which are subject to an insignificant risk of change in value.

Bank overdrafts of £1m (HY 2019: £2m; FY 2019: £1m) that are repayable on demand are reported within other interest bearing liabilities (Note 15) on the Condensed Consolidated Statement of Financial Position, although these are considered as a component of cash and cash equivalents for the purpose of the Condensed Consolidated Statement of Cash Flows.

14 Assets and liabilities held for sale

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Assets held for sale			
Property, plant and equipment	5	7	4
Financial investments	6	6	-
Deferred taxation assets	1	1	-
Inventories	6	4	-
Trade and other receivables	22	42	-
Cash and cash equivalents	252	218	-
Total assets classified as held for sale	292	278	4
Liabilities associated with assets held for sale			
Other interest bearing liabilities	(17)	(18)	-
Lease liabilities	-	(2)	-
Deferred taxation liabilities	(2)	(3)	-
Trade and other payables	(182)	(170)	-
Current taxation liabilities	(1)	-	-
Total liabilities classified as held for sale	(202)	(193)	-
Net assets classified as held for sale	90	85	4

Held for sale assets and liabilities primarily comprise a provision business in the Europe and Latin America segment. The sale is currently expected to be completed during 2020 following receipt of regulatory approval.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

15 Borrowings

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Subordinated liabilities			
Callable subordinated perpetual guaranteed bonds	346	336	346
Fair value adjustment in respect of hedged interest rate risk	3	9	16
Callable subordinated perpetual guaranteed bonds at carrying value	349	345	362
Subordinated unguaranteed bonds	1,246	900	899
Total subordinated liabilities	1,595	1,245	1,261
Other interest bearing liabilities			
Senior unsecured bonds	992	695	700
Fair value adjustment in respect of hedged interest rate risk	11	3	2
Bank loans and overdrafts	168	407	478
Total other interest bearing liabilities	1,171	1,105	1,180
Total borrowings	2,766	2,350	2,441
Non-current	2,334	1,679	2,095
Current	432	671	346

Subordinated liabilities

On 25 June 2020, Bupa Finance plc issued £350m of unguaranteed subordinated bonds which mature on 14 June 2035. Interest is payable on the bonds at 4.125%. In the event of the winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

Other interest bearing liabilities

On 25 June 2020, Bupa Finance plc issued £300m of senior unsecured bonds which mature on 14 June 2027. Interest is payable on the bonds at 1.75%.

The Group maintains a £800m revolving credit facility which matures in August 2022. At 30 June 2020 the facility was undrawn (HY 2019: £295m; FY 2019: £230m). The £30m bilateral loan facility matured in November 2019 and was refinanced with a two year £40m bilateral loan facility, which was fully drawn down at half year end (HY 2019: £30m; FY 2019: £40m).

Fair value of financial liabilities

	At 30 June 2020 £m	At 31 December 2019 £m	At 30 June 2019 £m
Subordinated liabilities	1,653	1,279	1,346
Senior unsecured bonds	1,012	707	721
Bank loans and overdrafts	168	407	478
Total fair value of financial liabilities	2,833	2,393	2,545

16 Provisions arising from insurance contracts

	At 30 June 2020			At 31 December 2019			At 30 June 2019		
	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	2,797	(43)	2,754	1,937	(15)	1,922	2,636	(37)	2,599
Provisions for claims	1,227	(11)	1,216	865	(9)	856	991	(8)	983
Long-term business									
Life insurance contract liabilities	36	-	36	34	-	34	36	-	36
Total insurance provisions	4,060	(54)	4,006	2,836	(24)	2,812	3,663	(45)	3,618

The British United Provident Association Limited

Notes to the Condensed Consolidated Financial Statements (unaudited)

for six months ended 30 June 2020

Provision for unearned premiums

The provision for unearned premiums primarily represents premiums written that relate to periods of risk in future accounting periods. It is released to the Income Statement on a straight-line basis, which is not materially different from a calculation based on the pattern of incidence of risk.

In circumstances where a return of premiums is due to policyholders, a provision for the return of premium is established within the provision for unearned premiums, reducing gross premium income.

Provision is also made for unexpired risks when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and administrative expenses. The expected cash flows are calculated having regard only to contracts commencing prior to the balance sheet date. At 30 June 2020, the unexpired risk provision is estimated to be £50m.

Provision for claims

The gross provision for claims represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence set is either one required by regulation or one that provides an appropriate degree of confidence. The gross provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events.

Where the expected provision of treatment has been deferred as a result of COVID-19 related lockdowns and disruption to healthcare services, claims provisions have been established for those treatments that are ultimately still expected to be provided. These provisions totalled £389m as at 30 June 2020. Provisions have been established on a prudent basis, taking into account both, regulatory obligations, and customer commitments. Provisions have also been estimated on a basis that is relevant to the local situation, taking into account the nature and extent of disruption to healthcare provision and the subsequent treatment levels that will be required. The calculated provision for each business is based on a deferral factor multiplied by the observed shortfall in incurred claims, compared with pre-COVID-19 statistical expectations. Related future claims experience may differ significantly from these estimates.

17 Acquisitions and disposals

A summary of material acquisitions is provided below. There have been no material disposals in the six month period ended 30 June 2020, nor were there material disposals during the year ended 31 December 2019.

a) 2020 acquisitions

During the period the Group made acquisitions for a total consideration of £10m, recognising net assets on acquisition of £1m. This comprised dental and clinic acquisitions in Poland generating goodwill of £4m and further dental acquisitions in Australia and the UK generating goodwill of £5m. The acquisition balance sheets of these acquisitions are provisional and will be finalised during 2020. Adjustments to goodwill in respect of prior period acquisitions amounted to £2m.

b) 2019 acquisitions

Refer to the Financial Statements for the year ended 31 December 2019 for full details of the acquisitions made during 2019.

On 17 January 2019, the Group acquired 100% of the ordinary share capital of Turkish company, Acıbadem Sağlık ve Hayat Sigorta A.S., the holding company of Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ (together "Acıbadem"), for cash consideration of £138m. Acquired intangible assets of £42m comprised key direct customer relationships and distribution channels (relationships with agents and brokers) of £34m, brand of £5m and software of £3m. The associated goodwill of £57m reflects expected future synergies from the integration of Acıbadem into the Bupa Group.

During 2019, Bupa Dental Care UK acquired 23 further dental centres for a total consideration of £83m, of which £9m was deferred and contingent. Identified intangible assets including customer relationships of £45m and goodwill of £40m were recognised which represents the continued future growth expected to be achieved through the development of the Group's dental insurance business.

Further minor acquisitions across the Group included the acquisitions of hospitals, clinics and dental centres in Poland which generated further goodwill of £11m and the continued expansion in dental centres in Australia which generated goodwill of £10m.

Acquisition transaction costs expensed in the year ended 31 December 2019, within other operating expenses, totalled £4m.

The British United Provident Association Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
for six months ended 30 June 2020

18 Commitments and contingencies

Capital commitments

Capital expenditure for the Group contracted at 30 June 2020 but for which no provision has been made in the financial statements amounted to £169m (HY 2019: £274m; FY 2019: £268m), primarily due to aged care facilities and retirement village project commitments in the Australia and New Zealand Market Unit and the Bupa Global & UK Market Unit.

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, disputes, regulatory compliance (including data protection) and interpretation of tax law. It is not considered that the ultimate outcome of such contingent liabilities will have a significant adverse impact on the financial condition of the Group.

The Australian dental business currently has a contingent liability arising as a result of a recent court appeal in relation to historical superannuation entitlements of a dental practitioner under a service agreement. The relevant business will further appeal the decision as it considers the position it has adopted is in accordance with the relevant superannuation legislation. At this stage, it is not practicable to assess the potential financial exposure and, as with any legal dispute, the risk of a liability crystallising in future periods remains.

The British United Provident Association Limited

Statement of Directors' responsibilities for six months ended 30 June 2020

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.
 - (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 2019 Annual Report. There have been no changes in Directors since the publication of the Company's Annual Report and Accounts for the year ended 31 December 2019.

By order of the Board

Evelyn Bourke
Chief Executive Officer

Joy Linton
Chief Financial Officer

6 August 2020

Independent review report to the members of The British United Provident Association Limited (“the company”) for the six months ended 30 June 2020

Conclusion

We have been engaged by The British United Provident Association Limited (“the Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors’ responsibilities

The half-yearly 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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Philip Smart

For and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London, E14 5GL
6 August 2020