Half year report
For the six months ended 30 June 2011

BUPA CONTINUES TO DELIVER GOOD GROWTH
WITH A STRONG INTERNATIONAL PERFORMANCE

Bupa, the international healthcare group, today announced its results for the six months ended 30 June 2011 ('the period').

£m	2011	2010	Growth %
Revenue	3,929.4	3,713.5	6
Surplus before taxation	244.1	162.1	51
Underlying surplus before taxation(3)	247.2	183.6	35
Net cash generated from operating activities	324.6	395.1	
Equity attributable to Bupa(1)	4,614.9	4,366.4	

Financial Highlights

- Revenues up 6% to £3.93bn due to organic growth(4) of 4%, acquisitions and disposals(2) of (1)% and favourable foreign exchange movements of 3%.

- Underlying surplus before taxation(3) up 35% to £247.2m (up 10% excluding integration and restructuring costs and foreign exchange movements). In particular Bupa Australia, Sanitas and Bupa International continued to grow well.

- Leverage reduced to 19% (FY2010: 23%) due to cash flow from operations and the disposal of Bupa Health Assurance.

- Capital investment of £78.4m (HY2010: £55.7m) focused on the development of care homes, information technology systems and other healthcare provision assets.

- Customer numbers increased to 10.7m (FY2010: 10.6m), excluding the impact of recent disposals(2).

Divisional Highlights

- Europe and North America (Revenues down 2% to £1,464.3m; Surplus up 67% to £45.0m):
  - Revenues up 1% excluding the sale of Bupa Health Assurance.
  - Strong growth in surplus, despite challenging market conditions, supported by good performances by Sanitas, Bupa Health and Wellbeing UK and the exit from the domestic health insurance market in Scandinavia.
  - Sanitas' integrated insurance and provision capability further strengthened by the acquisition of CIMA, a leading hospital in Barcelona.
  - Market conditions for Health Dialog remain tough in the US.

- International Markets: (Revenues up 14% to £1,872.2m; Surplus up 63% to £139.3m)
  - Strong advances by Bupa Australia in revenue and profitability, following the successful integration of MBF in 2010, 2% growth in customer numbers and favourable foreign exchange movements.
  - Good growth in Bupa International, due to the return of growth in the expatriate health insurance market.

- Care Services: (Revenues up 1% to £588.7m; Surplus up 2% to £67.7m)
    - Profitability stable in Care Services UK, with careful management of costs offsetting weak public sector fees and referrals.
    - Continued good growth in Australia and New Zealand, supported by excellent occupancy levels.
    - Further development of care homes portfolio with £36.8m invested in building, extending and refurbishing homes during the period and further investment planned for the second half.

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

"We have continued our record of good growth, strong cash generation, and low leverage."

"Bupa has achieved good momentum in Australia, Asia and in our expatriate health insurance business. In Europe, despite tough economic conditions, we improved performance in our health insurance businesses by focusing on customer retention and operational efficiency. In UK Care Services, we continued to control costs carefully to mitigate the impact of extreme pressure on public sector fees and referrals, and delivered further good growth in Australia and New Zealand where market conditions were stable."

"We continue to invest in the business internationally to add capacity and strengthen our key capabilities. In the first half of 2011, we acquired a leading private hospital in Barcelona and further developed our care homes portfolio. Our businesses continue to invest strongly in new products and services to enhance our offer to customers."

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A results conference call will be held at 9.00am on Wednesday 10 August. Details are available from Bupa on 020 7656 2202.

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

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

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

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

For more information, visit www.Bupa.com.

Introduction

Bupa continued to deliver good growth and strong cash generation, reducing leverage to 19% at 30 June 2011 (FY2010: 23%).

The Group continued to benefit from its international diversification, with good momentum in Australia, Asia and in expatriate health insurance. In Europe, despite economic conditions remaining difficult, we improved performance in our health insurance businesses by focusing on customer retention and operational efficiency. In UK Care Services, we continued to control costs carefully to mitigate the impact of extreme pressure on public sector fees and referrals, and delivered further good growth in Australia and New Zealand where market conditions were stable.

Revenues were up 6% to £3.93bn due to organic growth of 4%, acquisitions and disposals(2) of (1)% and favourable foreign exchange movements of 3%.

Statutory surplus before taxation was up 51% to £244.1m, and a reconciliation to underlying surplus is given below.

	HY2011	HY2010	Growth
	£m	**£m**	**%**
Statutory surplus before taxation	**244.1**	**162.1**	**51%**
Exclude:			
Amortisation and impairment of intangible assets	17.3	22.6	
Gain arising on revaluation of property	(1.7)	(1.6)	
(Profit)/loss on sale of businesses and assets	(1.2)	9.9	
Gain on return seeking assets	(9.3)	(6.5)	
Realised and unrealised foreign exchange gains	(2.0)	(2.9)	
Underlying surplus before taxation(3)	**247.2**	**183.6**	**35%**
Exclude:			
Restructuring and integration costs	(1.0)	28.0	
Impact of foreign exchange and interest rate changes	-	12.5	
Adjusted underlying surplus before tax	**246.2**	**224.1**	**10%**

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

Europe and North America

Revenues	**% of Group Revenues**	**Surplus**
HY2011: £1,464.3m	HY2011: 37%	HY2011: £45.0m
HY2010: £1,491.6m	HY2010: 40%	HY2010: £27.0m
% Growth: (2)%		% Growth: 67%

Bupa's Europe and North America division operates businesses in the UK, Spain and the US. The division provides health insurance, hospital care, dental and wellbeing services, health analytics and health coaching.

Revenues decreased by 2% due to the disposal of Bupa Health Assurance in January 2011 (excluding this disposal, revenues increased by 1%). Surplus increased by £18.0m, up 67%, despite challenging economic conditions across the division's core markets. Growth in surplus was driven by Sanitas and Bupa Health and Wellbeing UK and the successful exit from the domestic health insurance market in Scandinavia.

Bupa Health and Wellbeing UK (BHW)
BHW is the UK's leading health insurer serving the individual, corporate and small business segments, with 3.0m customers.

BHW grew both underlying revenues and surplus during the first half, despite continuing economic uncertainty, high unemployment levels and weak consumer confidence, which have contributed to a contraction of the UK health insurance market since 2008.

Customer numbers were only marginally down on the prior year end position, due to improved retention rates across all health insurance segments and good growth in dental insurance. The business achieved this result by investing in loyalty and retention initiatives and through a strong focus on customer service. Initiatives in the first half included introducing guided referral for corporate clients to ensure their employees see high quality and cost effective providers, and developing a medical review service for knee arthroscopy where rates of surgical intervention are too high. A free Bupa 'Health Finder' iPhone application was also launched to help customers locate health facilities, make claims more easily and access free health information. The business was also named as the number one insurance company for customer satisfaction in the UK Customer Satisfaction Index, which surveys over 26,000 customers.

BHW continued to focus on operational efficiency and customer profitability. Improvements made to the claims management process helped to deliver an improved loss ratio and certain B2B accounts were re-priced in 2010 and 2011, helping to maintain appropriate profitability.

New product development included a new, more flexible suite of health insurance products for the consumer sector, called 'Bupa by You', due for launch early in the second half of the year. Bupa by You will provide customers with the widest range of health and wellbeing options available in the UK, allowing them to purchase online and tailor cover to their healthcare needs and budget.

BHW's preventative health and wellbeing business, which offers health assessments, occupational health and dental services, focused on careful management of costs as market conditions remained soft.

Sanitas

Sanitas is the leading private healthcare brand in Spain. It offers private health insurance, hospitals, clinics and wellbeing services and manages healthcare provision assets in the public sector. The business has more than 1.4m health insurance customers and over 0.5m dental insurance customers.

Sanitas continued to benefit from its integrated business model, which combines insurance and provision assets, offering real differentiation in a highly competitive marketplace and allowing good control of costs. The business increased revenues and surplus with growth in overall customer numbers of 1%, despite ongoing weak economic conditions. Growth in surplus was driven in particular by excellent customer retention in Sanitas' insurance business, continued strong growth in dental insurance and good cost management.

Sanitas is focused on developing its market leadership in quality and innovation, through differentiated products and services. During the period, Sanitas rolled out its 'Healthcare Partner Programmes', first piloted in 2010, to all customers, providing tailored services to target specific health concerns, including cardiology, gynaecology and mother and baby programmes. The business also launched a suite of flexible products for the individual market, including 'Sanitas Primero', a new lower priced individual product, to facilitate access to health insurance for a wider customer base.

In June, the business further strengthened its integrated model with the acquisition of Centro Internacional Medicina Avanzada (CIMA), a leading hospital in Barcelona. This acquisition is Sanitas' first private hospital outside of Madrid and allows the business to considerably increase its provision of healthcare in the Catalan capital, where it has over 200,000 customers.

Sanitas Hospitales enjoyed strong occupancy across its provision assets, which include hospitals, 'Milenium' multi-specialty clinics and dental centres. The launch of specialist cancer units in key Sanitas hospitals and centres, three in 2010 and one in 2011, continued to deliver results, helping to set Sanitas' cancer care apart in the marketplace.

Sanitas is investing to support the growth and development of its dental offering. In the first half, the business opened six new dental centres in Barcelona, Valencia, Palma de Mallorca and Tarragona and added three dental franchises to its branded network. A further four new dental centres are under development, five dental franchises are due to open in the second half of 2011 and significant further investment is planned for 2012.

Health Dialog

Health Dialog is a leading US-based provider of health analytics and care management services that works with health plans, public insurers and employers to manage the cost and quality of healthcare.

Health Dialog continued to operate in a tough trading environment with high unemployment in the US and uncertainty persisting over government health reforms. These two factors have adversely impacted many of Health Dialog's clients, resulting in a decline in revenues, surplus and lives covered during the period. In this challenging environment, the business took proactive action to realign its cost base with sales volumes and reduce headcount, resulting in a restructuring charge of £4.0m.

Health Dialog also continued to progress its international development and is working with Bupa businesses in Australia, Spain and the UK to provide chronic disease management services to Bupa's domestic health insurance customers.

Bupa Cromwell
The Bupa Cromwell Hospital is a 128-bed London hospital caring mainly for health insurance, self-pay and international customers. Revenues and surplus increased, driven by growth in self-pay and embassy patients. In addition, the business commenced a major development project to enhance the hospital's infrastructure and capabilities.

International Markets

Revenues	**% of Group Revenues**	**Surplus**
HY2011: £1,872.2m	HY2011: 48%	HY2011: £139.3m
HY2010: £1,638.7m	HY2010: 44%	HY2010: £85.6m
% Growth: 14%		% Growth: 63%

Bupa's International Markets division consists of health insurance businesses in Australia, Asia, Latin America and the Middle East, and Bupa International, a leading expatriate health insurance business.

The International Markets division continued to deliver excellent growth during the period, with revenues increasing by 14% and surplus by 63% (up 8% and 20% respectively, excluding foreign exchange movements and integration costs). Customer numbers grew by 4% across the division compared to the year end position, with the most notable increases in Bupa Australia, Bupa International and in the Group's associates, Bupa Arabia and Max Bupa.

Bupa Australia
Bupa Australia is the largest privately owned health insurer in Australia, serving the healthcare needs of 3.3m people.

The business benefited from the completion of the successful integration of MBF and the move to one operating system in 2010, which enabled efficiency gains in claims servicing and the launch of a single product suite at the end of last year.

Revenue and surplus grew strongly, as customer numbers increased by 2% compared to the year end position. The business continued to gain synergies following the completion of the integration programme, which gave rise to non-recurring costs of £21.2m in the comparative period.

Bupa Australia invested in new product development, continued to focus on excellent customer service and successfully implemented a range of loyalty and retention initiatives. New products included "Active Saver", a competitively priced health insurance offer, specifically tailored to the youth market, which is already performing strongly.

Bupa Australia's focus on customer service was demonstrated by increased customer satisfaction ratings during the period, with 80% of customers rating Bupa Australia's service as 'good' or 'great'.

Bupa International
Bupa International is the world's leading provider of international expatriate health insurance. It provides individual and corporate medical cover to customers in more than 190 countries.

The business witnessed a gradual re-emergence of corporate confidence from the global recession, with returning growth in expatriate movements and fewer expatriates returning home, buoyed by increased oil and gas prices and a positive outlook in Asia. However, unrest in the Middle East, specifically in Egypt and Libya, has delayed new business growth plans in these markets.

Revenues and surplus increased significantly, with a 3% growth in customer numbers compared to the year end position and a lower loss ratio, due to the re-pricing of certain accounts in 2010 to improve profitability.

Bupa International implemented a new range of customer loyalty initiatives and extended its healthcare proposition, including the launch of a second opinion service in April for all customers and the extension of its quality assurance programme across its international hospital network.

Bupa International is developing market specific partnerships to support growth. These included the launch in January of a partnership with insurer Alltrust to provide international health insurance to customers in China and, in collaboration with Bupa Australia, the development of an international private medical insurance product for Australians looking to move overseas.

Hong Kong
Bupa Hong Kong's health insurance business delivered a very good performance, increasing revenue and surplus as customer numbers grew by 6% compared to the year end position. This performance was achieved through investing in award winning advertising to support individual sales and the continued implementation of successful retention initiatives.

Thailand
Bupa Thailand continued to experience good growth in customer numbers of 7% since year end, driven by strong sales and excellent renewal rates in the corporate sector. Surplus rose in line with customer growth and through careful management of the cost base.

Latin America
Bupa Latin America is the largest international health insurer in the region. Revenues increased and customer numbers grew by 5% during the period, supported by major new corporate wins and positive economic conditions in the region's biggest markets, Mexico and Brazil. Surplus was lower due to rising claims costs compounded by the strength of the Brazilian Real and Mexican Peso against the US Dollar.

Bupa Latin America is further developing its presence in Mexico and will be opening six new offices in the market. The business developed "Total Care", a new product specifically tailored to the Mexican market, which has been well received since its launch in April.

India
Max Bupa, the Group's health insurance joint venture in India, completed its first full year of trading during the period. The business, which is in start-up stage, grew customer numbers to nearly 70,000. Growth was supported by the launch of a series of new products to broaden Max Bupa's offer to additional market segments.

Saudi Arabia
Bupa Arabia, an associate of the Bupa Group, continued to experience strong growth in customer numbers of 7% compared to the year end position to 1.1m as the business extended its distribution into the retail sector.

Care Services

Revenues	% of Group Revenues	Surplus
HY2011: £588.7m	HY2011: 15%	HY2011: £67.7m
HY2010: £583.6m	HY2010: 16%	HY2010: £66.1m
% Growth: 1%		% Growth: 2%

Bupa's Care Services division is a world leading care homes operator providing nursing and residential care to over 28,000 residents in the UK, Spain, Australia and New Zealand. The division has over 14,000 customers receiving out of hospital care through Bupa Home Healthcare (BHH).

Care Services increased revenues and surplus by 1% and 2% respectively, despite increasing pressure on public sector budgets, most notably in the UK, which continued to impact aged care fees and referrals, as well as new business in BHH. The division benefited from strong performances in Australia and New Zealand, where economic conditions were more benign. Occupancy remained stable across the division at 87.5% (HY2010: 87.7%).

Care Services achieved this resilient performance by focusing on controlling costs to mitigate pressures on fee levels and occupancy. The division also continued its international investment programme, spending £36.8m on building, extending and refurbishing homes, with significant further investment planned by year end. Bupa also continues to differentiate itself from many large aged care operators by owning the freehold of 80% of its care homes.

Care Services continued to demonstrate leadership in aged care by providing expert information to government reviews of elderly care in the UK and Australia, by developing partnerships with leading dementia organisations and by investing in specialist training for its staff. The division also continued to share best practice, including adapting the "Person First, Dementia Second" training created in the UK, for its Australian and Spanish businesses.

Bupa Care Services UK
In the UK, Bupa cares for more than 18,000 residents in over 300 homes, over 70% of whom are funded wholly or in part by local authorities and primary care trusts (PCTs).

In the context of significantly increased pressure on public funding, flat or negative local authority fee increases and slowing volumes of publicly funded placements, Bupa Care Homes UK delivered a resilient performance, with revenues ahead and occupancy only marginally down at 86.9% (HY2010: 87.2%). Surplus was marginally down during the period due to higher catering and utility costs, while staff costs are expected to rise from October, as a result of a 2.5% increase in the National Minimum Wage.

In the short term, Bupa is concerned that the aged care sector will become seriously under-funded as a consequence of local authorities reducing the fees they pay. Failure to pay fairer fees will lead inevitably to a contraction of the overall care homes market, and a potential bed blocking crisis for the NHS.

Bupa Care Homes UK actively contributed to the UK government's Commission on Funding of Care and Support in England led by Andrew Dilnot, which reported in July. While we support the commission's proposals, they do not address the fundamental need to bring more money into the aged care sector to fund the cost of care for those people who do not have any assets.

The business opened a new specialist dementia care home in Ashford, Kent and completed a care home extension in Newbury, together adding 83 beds to the portfolio. Bupa's commitment to providing the best possible environment for care was recognised during the period with design awards for two of its new build homes.

Bupa Care Services UK continued to show its leadership in dementia care through a nationwide 'Memories Matter' campaign, encouraging families to capture the memories of their loved ones, which is an important aspect of high quality dementia care. In addition, Bupa sponsored and promoted a short feature film, 'Ten Glorious Seconds', to help raise awareness of how living with dementia affects an individual and their family.

Bupa Home Healthcare
New business opportunities for BHH continued to be affected by the uncertainty surrounding health reforms in the UK and their impact on the NHS, BHH's major customer. Revenues are behind the same period last year. However, careful management of the cost base is beginning to show reward and we are seeing these benefits throughout the business.

Bupa Care Services Australia
Bupa Care Services Australia provides aged care for more than 3,700 residents in 47 homes.

The business continued to perform strongly, with high occupancy levels of 93.0% (HY2010: 94.3%) and increased revenues and surplus, supported by good control over costs and stable economic conditions.

The business has two new homes currently under construction in Bankstown and Wodonga, which will add 114 beds by year end and a further 144 beds in 2012.

The business demonstrated its leadership in aged care by contributing to the Productivity Commission's inquiry on Caring for Older Australians in March and by launching 'The Australian Carers Awards' in April, in partnership with Carers Australia.

Bupa Care Services New Zealand
Bupa Care Services New Zealand delivers care and services to more than 3,000 residents in 44 care homes and retirement villages. It also provides telecare services via a personal alarm network.

The business increased occupancy levels to 94.5% (HY2010: 93.6%) and delivered growth in revenue and surplus, with the latter benefiting in particular from good management of the cost base.

The earthquake in Christchurch in February caused some damage to all six of our care homes in the city; however, the business was not materially impacted and our staff worked tirelessly to ensure care and service levels for residents were maintained. Regrettably, three employees lost their lives in the earthquake.

Bupa Care Services New Zealand has a strong development pipeline, with a refurbished care home in Auckland and six extensions under development, adding 145 beds and 58 retirement apartments to the portfolio.

Sanitas Residencial
Sanitas Residencial operates 40 care homes and cares for over 4,000 residents throughout Spain.

The economic conditions in Spain continued to impact the country's aged care system, with occupancy being affected in particular by delays to tenders for public beds and increasing competition for privately funded residents.

In this context, Sanitas Residencial delivered a satisfactory performance, with increased revenues and surplus, supported by good management of costs and occupancy constant, at 81.4% (HY2010: 81.1%). The business also benefited from its reputation for quality assets, people and service, helping to attract privately funded residents, despite the increasingly competitive market conditions.

The business is due to open a new 167 bed care home in Tarragona in the second half of 2011 and signed an agreement in March to manage a 126 bed care home in the Basque city of Vitoria.

FINANCIAL REVIEW

Income Statement
Surplus
The Group’s surplus before taxation expense was £244.1m (HY2010: £162.1m).

Financial income and expenses
Net financial income decreased to £11.8m (HY 2010: £19.2m) mainly due to a £5.9m foreign exchange gain in the comparative period. When the impact of return seeking assets and foreign exchange gains/losses are removed, net financial income and expenses are broadly flat.

At 30 June 2011, the return seeking asset portfolio was valued at £189m representing 6% of total cash, cash equivalents and financial investments of £3,087.6m.

The total investment portfolio, including return-seeking assets, produced an average return of 3.1% in the period (HY 2010: 3.6%). Security of the overall portfolio remains a key priority with approximately 88% held in investments rated AA-/Aa3 or better.

Taxation
The Group’s effective tax rate for the period was 29% (FY 2010: 111%), which is higher than the UK corporation tax rate of 27% because a significant proportion of the group's profits arise outside the UK in jurisdictions with a higher rate of corporate income tax. The 2010 full year effective tax rate of 111% reflected the impairment of goodwill and intangible assets which did not qualify for tax relief and a change in tax law in New Zealand in respect of the care and retirement homes portfolio which gave rise to a deferred tax liability of £16.0m.

Balance sheet

Total equity attributable to Bupa
Equity attributable to Bupa increased by £248.5m primarily due to the increased income and expenditure reserve, as well as the increase in the foreign exchange reserve principally reflecting the strengthening of the Australian dollar.

Cash and other financial assets
The Group holds cash and other financial assets principally to meet the liabilities and solvency requirements of our regulated insurance subsidiaries. Cash and other financial investments totalled £3,087.6m (HY2010: £2,836.3m) at 30 June 2011.

Interest bearing liabilities
At 30 June 2011 Bupa had total interest bearing liabilities of £712.2m (FY2010: £958.8m), which consisted primarily of secured loans and bonds.

Foreign exchange
The net increase in the foreign exchange translation reserve was £59.4m and represents the foreign exchange movement on translation of the investment in the Group’s overseas subsidiaries, net of hedging. Much of the increase in reserves reflects the appreciation in 2011 of the Australian Dollar against Sterling.

Cash flow and financing
Cash flow generated from operations was £324.6m (HY2010: £395.1m) reflecting growth in surplus net of the impact of settlement patterns for insurance contract liabilities and timing factors in respect of other payables. The Group invested £78.4m in capital expenditure, paid down £202.9m of interest bearing liabilities and invested the balance in cash deposits and financial investments.

The Group's main source of funding comes from a £900m committed bank facility, negotiated in June 2010, which matures in September 2013. This facility was unused at 30 June 2011.

BUSINESS RISKS AND UNCERTAINTIES

Bupa maintains a well established process for identifying and managing business risks. The following are key prevailing risks in the current weak economic climate:

- Bupa operates in a number of countries in which future economic growth is uncertain. In particular the UK, US and Spanish economies are challenging with high unemployment levels. These general economic conditions may impact the Group's trading performance in the short to medium term due to the impact of rising unemployment on individual and corporate customers. To mitigate this risk, our businesses continue to develop differentiated products and services and focus on customer retention.

- The impact of the health reform agenda in the US presents risks to Health Dialog as its customers may hold back from purchasing additional healthcare services due to the uncertainties. The business has developed new capabilities to support its customers in meeting the changing demands of the market; however, inherent risks remain as these changes unfold.

- Aged care fees and occupancy levels in the UK are currently under pressure as local authorities reduce spending in light of the UK Government's deficit reduction measures. In response to this short term pressure, the business is actively controlling costs.

OUTLOOK

The Group has benefited greatly from its strong international footprint and we expect continued momentum in the second half. In Europe and the US, we are firmly focused on customer retention, cost control and developing new products and services to combat soft market conditions.

In aged care, we will continue to campaign in the UK for government to address the chronic underfunding of care for those people with no means to pay for themselves.

Across the Group, the well-known long term drivers of growth in healthcare remain strong and we are optimistic about the future, notwithstanding current concerns about the major economies. Bupa is well positioned to take advantage of these trends given our international scale, trusted brands, excellent market positions and strong balance sheet. We will continue to invest strongly in the business.

Ray King, *Chief Executive*
10 August 2011

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

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

(1) **Equity attributable to Bupa** at 30 June 2011 is compared to the 31 December 2010 position.

(2) **Acquisitions and disposals:** In Australia, MBF Life and ClearView were sold in June 2010 and in the UK, Bupa Health Assurance was sold in January 2011. In 2010 the business acquired Peak Health, a corporate wellness business, and the remaining 50% of Health Eyewear, a chain of optical stores.

(3) **Underlying surplus before taxation** excludes non-recurring items including the impact of profit/(loss) on sale of businesses, amortisation and impairment of intangible assets, the performance of return seeking assets, goodwill impairment, property revaluations and realised and unrealised foreign exchange gains and losses.

(4) **Organic growth** in revenues and surplus excludes the effect of currency translation differences and the impact of acquisitions and disposals.

(5) References to HY 2010 refer to the results for the six months ended 30 June 2010. FY 2010 refers to the results for the year ended 31 December 2010.

The British United Provident Association Limited

Condensed consolidated half year financial statements (unaudited)

Six months ended 30 June 2011

Bupa

Condensed consolidated income statement (unaudited)

For the six months ended 30 June 2011

	Notes	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Revenues				
Gross insurance premiums		3,127.9	2,936.6	6,011.8
Premiums ceded to reinsurers		(16.1)	(34.3)	(90.8)
Net insurance premiums earned		3,111.8	2,902.3	5,921.0
Revenues from life investment contracts		-	7.8	7.9
Revenues from service contracts		5.7	1.8	3.5
Care, health and other revenues		811.9	801.6	1,643.6
Total revenues	5	3,929.4	3,713.5	7,576.0
Claims and expenses				
Insurance claims incurred		(2,451.6)	(2,302.7)	(4,648.7)
Reinsurers' share of claims incurred		17.6	34.8	75.3
Net insurance claims incurred		(2,434.0)	(2,267.9)	(4,573.4)
Decrease in fair value of life investment contract liabilities		-	10.0	9.9
Loss on financial investments backing life investment contract liabilities		-	(10.0)	(10.1)
Share of post-taxation results of equity accounted investments		(6.0)	(3.4)	(0.7)
Other operating expenses		(1,258.1)	(1,284.7)	(2,581.9)
Impairment of goodwill		-	-	(249.2)
Impairment of other intangible assets arising on business combinations	5	-	(4.7)	(17.7)
Other income/(charges)	6	1.0	(9.9)	(54.0)
Total claims and expenses		(3,697.1)	(3,570.6)	(7,477.1)
Surplus before financial income and expense		232.3	142.9	98.9
Financial income and expense				
Financial income	7	50.2	55.6	98.3
Financial expense	8	(38.4)	(36.4)	(79.2)
		11.8	19.2	19.1
Surplus before taxation expense	5	244.1	162.1	118.0
Taxation expense	9	(70.8)	(69.2)	(131.4)
Surplus/(Deficit) for the financial period		173.3	92.9	(13.4)
Attributable to:				
Bupa		171.5	90.4	(19.2)
Non-controlling interests		1.8	2.5	5.8
		173.3	92.9	(13.4)

Bupa

Condensed consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2011

	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Surplus/(Deficit) for the period	173.3	92.9	(13.4)
Other comprehensive income/(expense)			
Unrealised gain on revaluation of property	0.1	-	82.2
Actuarial gain on pension schemes	14.2	8.4	67.5
Realisation of foreign exchange on disposal of overseas subsidiary companies	-	2.4	1.6
Foreign exchange translation differences on goodwill	21.9	50.4	212.6
Other foreign exchange translation differences	37.1	14.7	150.4
Net gain/(loss) on hedge of net investment in overseas subsidiary companies	3.4	(11.8)	(43.2)
Realisation of cash flow hedge on disposal of overseas subsidiary companies	-	(0.9)	(0.9)
Realisation of cash flow hedge on impairment of overseas subsidiary companies	-	-	2.8
Change in fair value of underlying derivative of cash flow hedge	0.5	(1.2)	(0.4)
Disposal of subsidiary companies	-	0.1	0.1
Other movements in non-controlling interests	0.1	(7.1)	(6.8)
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	0.2	(1.0)	(35.7)
Other comprehensive income/(expense) for the period, net of taxation	77.5	54.0	430.2
Total comprehensive income for the period	250.8	146.9	416.8
Attributable to:			
Bupa	248.5	150.7	417.3
Non-controlling interests	2.3	(3.8)	(0.5)
Total comprehensive income for the period	250.8	146.9	416.8

Bupa

Condensed consolidated balance sheet (unaudited)

As at 30 June 2011

	Notes	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Non-current assets				
Intangible assets	10	2,530.1	2,589.1	2,509.6
Property, plant and equipment	11	2,315.6	2,132.9	2,293.6
Investment property		128.6	110.2	120.3
Equity accounted investments		36.5	38.3	42.2
Financial investments	12	947.9	748.8	1,031.8
Assets arising from insurance business	13	4.2	106.3	4.4
Deferred taxation assets		-	13.1	-
Other receivables		91.0	72.2	77.7
Post employment benefit net assets	18	141.7	35.0	121.3
		6,195.6	5,845.9	6,200.9
Current assets				
Financial investments	12	1,074.7	1,036.8	1,127.0
Inventories		18.0	17.9	19.9
Assets arising from insurance business	13	923.9	946.3	785.0
Trade and other receivables		385.0	387.2	367.2
Assets held for sale		-	-	351.5
Cash and cash equivalents	15	1,065.0	1,050.7	692.2
		3,466.6	3,438.9	3,342.8
Total assets		9,662.2	9,284.8	9,543.7
Non-current liabilities				
Subordinated liabilities	16	(375.5)	(374.9)	(374.7)
Other interest bearing liabilities	17	(691.0)	(936.4)	(886.6)
Provisions under insurance contracts issued		(23.6)	(140.0)	(24.1)
Post employment benefit net liabilities	18	(59.0)	(59.6)	(56.7)
Provisions for liabilities and charges		(31.2)	(34.1)	(33.6)
Deferred taxation liabilities		(214.0)	(215.7)	(220.1)
Trade and other payables		(17.0)	(15.1)	(13.7)
		(1,411.3)	(1,775.8)	(1,609.5)
Current liabilities				
Subordinated liabilities	16	(16.2)	(16.2)	(5.9)
Other interest bearing liabilities	17	(21.2)	(22.4)	(21.6)
Provisions under insurance contracts issued		(2,387.4)	(2,287.6)	(2,134.5)
Other liabilities under insurance contracts issued		(43.2)	(59.8)	(18.9)
Provisions for liabilities and charges		(52.2)	(34.4)	(64.5)
Current taxation liabilities		(178.9)	(134.0)	(158.1)
Trade and other payables		(904.9)	(827.7)	(953.2)
Liabilities associated with assets held for sale		-	-	(181.4)
		(3,604.0)	(3,382.1)	(3,538.1)
Total liabilities		(5,015.3)	(5,157.9)	(5,147.6)
Net assets		**4,646.9**	**4,126.9**	4,396.1
Equity				
Property revaluation reserve		667.4	594.1	660.5
Income and expenditure reserve		3,201.1	3,085.6	3,019.1
Cash flow hedge reserve		30.9	28.3	30.7
Foreign exchange translation reserve		715.5	391.8	656.1
Equity attributable to Bupa		4,614.9	4,099.8	4,366.4
Equity attributable to non-controlling interests		32.0	27.1	29.7
Total equity		**4,646.9**	**4,126.9**	4,396.1

Bupa

Condensed consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2011

	Notes	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Operating activities				
Surplus before taxation expense		244.1	162.1	118.0
Adjustments for:				
Net financial income and expense		(11.8)	(19.2)	(19.1)
Depreciation, amortisation and impairment		92.9	94.5	449.4
Other non-cash items		(3.2)	13.2	54.5
Changes in working capital and provisions:				
Increase in provisions and other liabilities under insurance contracts issued		260.2	318.8	80.1
Increase in assets under insurance contracts issued		(138.0)	(125.1)	(19.5)
Change in net pension asset / liability		(5.6)	(2.7)	(33.0)
Decrease in trade and other receivables, and other assets		1.4	19.0	36.4
(Decrease) / increase in trade and other payables, and other liabilities		(63.6)	(9.6)	65.7
Cash generated from operations		376.4	451.0	732.5
Income tax and withholding tax paid		(51.8)	(55.9)	(105.1)
Increase in cash held in restricted access deposits	15	-	-	(4.2)
Net cash generated from operating activities		324.6	395.1	623.2
Cash flows from investing activities				
Acquisition of subsidiary companies, net of cash acquired		(11.8)	-	(3.4)
Acquisition of joint ventures and associates		(2.2)	(1.4)	(3.5)
Disposal of subsidiary companies, net of cash disposed of	14	168.2	112.1	115.1
Dividends received from associates		1.5	-	-
Purchase of intangible assets		(22.6)	(12.3)	(35.7)
Purchase of property, plant and equipment		(55.8)	(43.4)	(135.5)
Proceeds from sale of property, plant and equipment		-	0.9	1.6
Purchase of investment property		(1.9)	(2.2)	(5.1)
Proceeds from sale of investment property		0.1	-	0.2
Purchase of financial investments, excluding deposits with credit institutions		(436.9)	(191.8)	(261.5)
Proceeds from sale of financial investments, excluding deposits with credit institutions		358.0	151.6	375.2
Net withdrawal from / (investment into) deposits with credit institutions		248.0	(262.8)	(778.7)
Interest received		34.0	33.4	76.4
Net cash generated from / (used in) investing activities		278.6	(215.9)	(654.9)
Cash flow from financing activities				
Proceeds from issue of interest bearing liabilities		0.5	0.3	-
Repayment of interest bearing liabilities		(202.9)	(167.7)	(223.9)
Interest paid		(29.2)	(30.4)	(80.1)
Payments for hedging instruments		(3.0)	2.6	(2.7)
Payment of capital redemption to non-controlling interests		-	(7.1)	(6.8)
Dividends paid to non-controlling interests		-	(5.9)	(6.6)
Net cash used in financing activities		(234.6)	(208.2)	(320.1)
Net increase / (decrease) in cash and cash equivalents		368.6	(29.0)	(351.8)
Cash and cash equivalents at beginning of period		654.5	1,026.4	1,026.4
Effect of exchange rate changes		6.5	20.0	65.3
Cash and cash equivalents reclassified to assets held for sale		-	-	(85.4)
Cash and cash equivalents at end of period	15	1,029.6	1,017.4	654.5

Bupa

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2011

For the six months ended 30 June 2011	**Property revaluation reserve £m**	**Income and expenditure reserve £m**	**Cash flow hedge reserve £m**	**Foreign exchange translation reserve £m**	**Total attributable to Bupa £m**	**Non-controlling interests £m**	**Total equity £m**
At beginning of period	660.5	3,019.1	30.7	656.1	**4,366.4**	29.7	**4,396.1**
Retained surplus for the period	-	171.5	-	-	**171.5**	1.8	**173.3**
Other comprehensive income/(expense)							
Unrealised gain on revaluation of property	0.1	-	-	-	**0.1**	-	**0.1**
Actuarial gain on pension schemes	-	14.2	-	-	**14.2**	-	**14.2**
Foreign exchange translation differences on goodwill	-	-	-	21.9	**21.9**	-	**21.9**
Other foreign exchange translation differences	2.3	-	-	34.5	**36.8**	0.3	**37.1**
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	3.4	**3.4**	-	**3.4**
Change in fair value of underlying derivative of cash flow hedge	-	-	0.3	-	**0.3**	0.2	**0.5**
Disposal of subsidiary companies						-	**-**
Other movements in non-controlling interests	-	-	-	-	-	0.1	**0.1**
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	4.5	(3.7)	(0.1)	(0.4)	**0.3**	(0.1)	**0.2**
Other comprehensive income/(expense) for the period, net of taxation	6.9	10.5	0.2	59.4	**77.0**	0.5	**77.5**
Total comprehensive income/(expense) for the period	6.9	182.0	0.2	59.4	**248.5**	2.3	**250.8**
At end of period	**667.4**	**3,201.1**	**30.9**	**715.5**	**4,614.9**	**32.0**	**4,646.9**
For the six months ended 30 June 2010							
At beginning of period	596.7	2,989.1	29.7	333.6	**3,949.1**	36.8	**3,985.9**
Retained surplus for the period	-	90.4	-	-	**90.4**	2.5	**92.9**
Other comprehensive income/(expense)							
Actuarial gain on pension schemes	-	8.4	-	-	**8.4**	-	**8.4**
Realisation of foreign exchange on disposal of overseas subsidiary companies				2.4	**2.4**	-	
Foreign exchange translation differences on goodwill	-	-	-	50.4	**50.4**	-	**50.4**
Other foreign exchange translation differences	(2.6)	-	-	16.2	**13.6**	1.1	**14.7**
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(11.8)	**(11.8)**	-	**(11.8)**
Realisation of cash flow hedge on disposal of subsidiary companies	-	-	(0.9)	-	**(0.9)**	-	**(0.9)**
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.7)	-	**(0.7)**	(0.5)	**(1.2)**
Disposal of subsidiary companies	-	-	-	-	-	0.1	**0.1**
Other movements in non-controlling interests	-	-	-	-	-	(7.1)	**(7.1)**
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	-	(2.3)	0.2	1.0	**(1.1)**	0.1	**(1.0)**
Other comprehensive income/(expense) for the period, net of taxation	(2.6)	6.1	(1.4)	58.2	**60.3**	(6.3)	**54.0**
Total comprehensive income/(expense) for the period	(2.6)	96.5	(1.4)	58.2	150.7	(3.8)	**146.9**
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	**-**	(5.9)	**(5.9)**
Total contributions to non-controlling interests for the period	-	-	-	-	-	(5.9)	(5.9)
At end of period	**594.1**	**3,085.6**	**28.3**	**391.8**	**4,099.8**	**27.1**	**4,126.9**
For the year ended 31 December 2010							
At beginning of year	596.7	2,989.1	29.7	333.6	**3,949.1**	36.8	**3,985.9**
Retained (deficit)/surplus for the financial year	-	(19.2)	-	-	**(19.2)**	5.8	**(13.4)**
Other comprehensive income/(expense)							
Unrealised gain on revaluation of property	82.2	-	-	-	**82.2**	-	**82.2**
Actuarial gain on pension schemes	-	67.5	-	-	**67.5**	-	**67.5**
Realisation of foreign exchange on disposal of overseas subsidiary companies	-	-	-	1.6	**1.6**	-	**1.6**
Foreign exchange translation differences on goodwill	-	-	-	212.6	**212.6**	-	**212.6**
Other foreign exchange translation differences	(1.1)	-	-	150.9	**149.8**	0.6	**150.4**
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(43.2)	**(43.2)**	-	**(43.2)**
Realisation of cash flow hedge on disposal of subsidiary companies	-	-	(0.9)	-	**(0.9)**	-	**(0.9)**
Realisation of cash flow hedge on impairment of overseas subsidiary companies	-	-	2.8	-	**2.8**	-	**2.8**
Change in fair value of underlying derivative of cash flow hedge	-	-	(0.2)	-	**(0.2)**	(0.2)	**(0.4)**
Disposal of subsidiary companies	-	-	-	-	**-**	0.1	**0.1**
Other movements in non-controlling interests	-	-	-	-	**-**	(6.8)	**(6.8)**
Taxation (charge)/credit on income and expense recognised directly in other comprehensive income	(17.3)	(18.3)	(0.7)	0.6	**(35.7)**	-	**(35.7)**
Other comprehensive income/(expense) for the year, net of taxation	63.8	49.2	1.0	322.5	**436.5**	(6.3)	**430.2**
Total comprehensive income/(expense) for the year	63.8	30.0	1.0	322.5	417.3	(0.5)	416.8
Contributions to non-controlling interests							
Dividends paid to non-controlling interests	-	-	-	-	-	(6.6)	**(6.6)**
Total contributions to non-controlling interests for the year	-	-	-	-	-	(6.6)	(6.6)
At end of year	**660.5**	**3,019.1**	**30.7**	**656.1**	**4,366.4**	**29.7**	**4,396.1**

1 Financial information and basis of preparation

The British United Provident Association (the 'Company') is a company incorporated in England and Wales. The condensed consolidated half year financial statements of the Company as at and for the six months ended 30 June 2011 comprise those of the Company and its subsidiary companies (together referred to as the 'Group').

These condensed consolidated half year financial statements were approved by a duly appointed and authorised committee of the Board of Directors of The British United Provident Association Limited (Bupa) on 9 August 2011.

These condensed consolidated financial statements for the half year ended 30 June 2011 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union ('EU') and should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

The comparative figures for the financial year ended 31 December 2010 are consistent with the Group's annual financial statements. The annual financial statements for the financial year ended 31 December 2010 have been reported on by the Company's auditors, KPMG Audit Plc, and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2 Going concern

Details of the Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review (pages 2 to 37) of the Group's 2010 Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's report on pages 26 to 29 of the Group's 2010 Annual Report and Accounts, together with further information disclosed in notes 22 to 24 and 32. In addition, notes 33 and 34 of the Group's 2010 Annual Report and Accounts summarise the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group maintains significant cash balances to meet its day to day working capital requirements. These balances, together with the Group’s committed bank facility, provide the sources of liquidity for the Group. International Accounting Standard 1: Presentation of financial statements (IAS 1), requires the Group to make an assessment of its ability to continue as a going concern when preparing its financial statements. In making this assessment, management has considered forecasts based on the Group’s Three Year Plan for 2011 to 2013, which take account of reasonable possible changes in trading performance. These projections show that the Group will be able to operate comfortably within the level of its current facility. The Group has a £900m committed bank facility maturing in September 2013, which was undrawn at 30 June 2011.

3 Accounting policies

The accounting policies adopted are consistent with those used in preparing the annual financial statements for the year ended 31 December 2010, and as described in those annual financial statements.

4 Accounting estimates and judgements

The preparation of the condensed consolidated half year financial statements requires the use of certain accounting estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2010.

5 Segmental information

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

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

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

5 Segmental information (continued)

For the six months ended 30 June 2011	Europe and North America £m	International Markets £m	Care Services £m	Total £m
(i) Revenues				
Total revenues for reportable segments	1,468.2	1,872.2	588.9	3,929.3
Inter segment elimination	(3.9)	-	(0.2)	(4.1)
External revenues for reportable segments	1,464.3	1,872.2	588.7	3,925.2
Net reclassifications to other expenses or financial income and expense				3.0
Unallocated central revenue / expense				1.2
Consolidated total revenues				3,929.4
(ii) Segment result				
Surplus for reportable segments (including share of post taxation results of equity accounted investments)	45.0	139.3	67.7	252.0
Amortisation of other intangible assets arising on business combinations	(4.2)	(10.4)	(2.7)	(17.3)
	40.8	128.9	65.0	234.7
Net reclassification to financial income and expense				(1.3)
Unallocated central income				(2.1)
Surplus*				**231.3**
Impairment of other intangible assets arising on business combinations	-	-	-	-
Other income / (charges)				1.0
Surplus before financial income and expense				232.3
Financial income and expense				11.8
	40.8	128.9	65.0	
Consolidated surplus before taxation expense				**244.1**
For the six months ended 30 June 2010				
(i) Revenues				
Total revenues for reportable segments	1,495.7	1,638.7	583.8	3,718.2
Inter segment elimination	(4.1)	-	(0.2)	(4.3)
External revenues for reportable segments	1,491.6	1,638.7	583.6	3,713.9
Net reclassifications to other expenses or financial income and expense				(0.5)
Unallocated central revenue / expense				0.1
Consolidated total revenues				3,713.5
(ii) Segment result				
Surplus for reportable segments (including share of post taxation results of equity accounted investments)	27.0	85.6	66.1	178.7
Amortisation of other intangible assets arising on business combinations	(4.4)	(10.9)	(2.6)	(17.9)
	22.6	74.7	63.5	160.8
Net reclassification to financial income and expense				(5.0)
Unallocated central income/expense				1.7
Surplus*				**157.5**
Impairment of other intangible assets arising on business combinations	-	(4.7)	-	(4.7)
Other (charges) / income				(9.9)
Surplus before financial income and expense				142.9
Financial income and expense				19.2
	22.6	70.0	63.5	
Consolidated surplus before taxation expense				**162.1**
For the year ended 31 December 2010				
(i) Revenues				
Total revenues for reportable segments	3,008.0	3,394.0	1,183.2	7,585.2
Inter segment elimination	(8.5)	-	(0.3)	(8.8)
External revenues for reportable segments	2,999.5	3,394.0	1,182.9	7,576.4
Net reclassifications to other expenses or financial income and expense				(0.6)
Unallocated central revenue / expense				0.2
Consolidated total revenues				7,576.0
(ii) Segment result				
Surplus for reportable segments (including share of post taxation results of equity accounted investments)	116.4	208.5	139.7	464.6
Amortisation of other intangible assets arising on business combinations	(8.8)	(20.7)	(5.2)	(34.7)
	107.6	187.8	134.5	429.9
Net reclassification to financial income and expense				(8.8)
Unallocated central revenue				(1.3)
Surplus*				**419.8**
Impairment of goodwill	(212.5)	-	(36.7)	(249.2)
Impairment of other intangible assets arising on business combinations	-	(4.8)	(12.9)	(17.7)
Other income / (charges)				(54.0)
Surplus before financial income and expense				98.9
Financial income and expense				19.1
	(104.9)	183.0	84.9	
Consolidated surplus before taxation expense				**118.0**

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

6 Other income/(charges)

	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Net gain/(loss) on sale of business	1.2	(9.9)	(11.6)
Net charge on disposal group held for sale	-	-	(6.5)
Deficit on revaluation of property	-	-	(35.2)
Net loss on disposal of property, plant and equipment	(0.2)	-	(0.7)
Total other income/(charges)	1.0	(9.9)	(54.0)

7 Financial income

	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Interest income			
Investments designated at fair value through profit or loss	(0.2)	3.1	5.1
Loans and receivables	38.8	31.1	67.5
Investments held to maturity	2.6	5.1	10.0
Net realised gains on financial investments designated at fair value through profit or loss	0.4	-	0.5
Net increase/(decrease) in fair value			
Investments designated at fair value through profit or loss	8.1	8.8	15.5
Derivatives	-	-	0.3
Investment property	1.7	1.6	0.1
Net foreign exchange (loss)/gain	(1.2)	5.9	(0.7)
Total financial income	50.2	55.6	98.3

Included within financial income is a net gain, after hedging, on the Group's return seeking asset portfolio of £9.3m (HY 2010: net gain of £6.5m; FY 2010: net gain of £13.2m).

8 Financial expense

	For six months ended 30 June 2011 £m	For six months ended 30 June 2010 £m	For year ended 31 December 2010 £m
Interest expense on financial liabilities at amortised cost	37.8	35.8	77.9
Finance charges in respect of finance leases	0.1	0.1	0.2
Other financial expenses	0.5	0.5	1.1
Total financial expense	38.4	36.4	79.2

9 Taxation expense

The effective tax rate on surplus before taxation expense for the six months ended 30 June 2011 is 29.0% (HY 2010: 42.6%; FY 2010: 111.4%). This rate is higher than the UK corporation tax rate of 27%. The principal reason for this is the proportion of the Group's profits arising in jurisdictions with a higher rate of corporate income tax. The current year rate is lower than the year end 2010 rate of 111.4% mainly due to an impairment of goodwill in 2010 and due to a change in tax law in 2010 in New Zealand in respect of the Care and Retirement Homes portfolio. On 5 July 2011, there was a substantive enactment of Finance Bill 2011 which reduces the corporation tax rate to 25% from 1 April 2012. The impact of this would be to reduce the deferred tax liability by £4.3m.

10 Intangible assets

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Net book value at beginning of period	2,509.6	2,590.4	2,590.4
Assets arising on business combinations	6.1	-	3.0
Additions	22.6	12.3	35.7
Amortisation for the period	(42.0)	(41.0)	(82.4)
Impairment loss	-	(4.7)	(264.1)
Transfer to property, plant and equipment	6.5	-	(0.7)
Transfer to assets held for sale	-	-	(5.9)
Disposals of subsidiary companies	-	(34.0)	(41.7)
Disposals	-	-	(0.1)
Foreign exchange	27.3	66.1	275.4
Net book value at end of period	2,530.1	2,589.1	2,509.6

The net book value of intangible assets comprises:

Goodwill	1,818.6	1,879.1	1,790.5
Computer software	210.1	221.7	209.3
Customer relationships	251.2	246.7	260.2
Other	250.2	241.6	249.6
	2,530.1	2,589.1	2,509.6

Intangible assets of £2,530.1m (HY 2010: £2,589.1m; FY 2010: £2509.6m) includes £534.7m (HY 2010: £529.6m; FY 2010: £546.7m) which is attributable to intangible assets arising on business combinations as follows:

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Customer relationships	251.2	246.7	260.2
Bed licences (within Bupa Care Services Australia)	101.7	102.1	99.8
Brands and trademarks	68.9	61.8	68.6
Licences to operate care homes	54.7	51.8	54.9
Technology and databases	33.3	41.3	36.9
Leases	13.4	11.9	13.4
Present valuation of acquired in-force business	1.4	1.6	1.5
Distribution networks	10.1	12.4	11.4
	534.7	529.6	546.7

Goodwill impairment
Goodwill is tested at least annually for impairment in accordance with International Accounting Standard 36: *Impairment of assets* (IAS 36) and International Accounting Standard 38: *Intangible assets* (IAS 38). Impairment testing was last performed as at 31 December 2010. As required by International Accounting Standard 34: *Interim financial reporting* (IAS 34), a review for indicators of impairment of goodwill was carried out as at 30 June 2011 which identified that no impairment indicators were present.

11 Property, plant and equipment

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Net book value at beginning of period	2,293.6	2,146.8	2,146.8
Additions through business combinations	4.1	-	1.1
Additions	50.3	43.0	141.8
Depreciation charge for the period	(50.9)	(48.8)	(100.1)
Transfer from investment properties	-	0.3	0.3
Transfer (to) / from intangible assets	(6.5)	-	0.7
Transfer to assets held for sale	-	-	(0.3)
Disposal of subsidiary companies	-	(0.1)	(0.8)
Disposals	(0.2)	(0.9)	(2.3)
Revaluations	0.1	-	46.1
Foreign exchange	25.1	(7.4)	60.3
Net book value at end of period	2,315.6	2,132.9	2,293.6

12 Financial investments

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Non-current			
Designated at fair value through profit or loss			
Debt securities - government gilts	35.0	69.6	39.3
Debt securities - corporate bonds	54.7	94.2	54.8
Shares and other variable yield securities	136.4	102.8	132.6
Held to maturity			
Medium-term notes	251.2	104.1	150.8
Loans and receivables			
Debt securities - corporate bonds	70.6	67.3	69.0
Deposits with credit institutions	400.0	310.8	585.3
	947.9	748.8	1,031.8
Current			
Designated at fair value through profit or loss			
Debt securities - government gilts	6.0	6.8	6.2
Shares and other variable yield securities	6.5	20.9	10.1
Held to maturity			
Medium term notes	52.6	259.5	75.5
Debt securities - government gilts	-	-	0.3
Loans and receivables			
Reverse repo securities	226.4	214.7	202.2
Deposits with credit institutions	783.2	534.9	832.7
	1,074.7	1,036.8	1,127.0
Total financial investments	2,022.6	1,785.6	2,158.8

13 Assets arising from insurance business

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Non-current			
Insurance debtors	-	0.1	-
Reinsurers' share of insurance provisions	1.2	60.0	1.3
Deferred acquisition costs	3.0	46.2	3.1
	4.2	106.3	4.4
Current			
Insurance debtors	719.1	712.4	607.1
Reinsurers' share of insurance provisions	16.2	34.5	8.5
Deferred acquisition costs	81.3	113.3	60.6
Medicare rebate	85.2	66.4	80.2
Risk Equalisation Trust Fund recoveries	22.1	19.7	28.6
	923.9	946.3	785.0
Total assets arising from insurance business	928.1	1,052.6	789.4

14 Disposals

2011 Disposals

On 31 January 2011, the Group sold its 100% shareholding in Bupa Health Assurance Limited, which was included in the Europe and North America segment, for cash proceeds of £168.2m.

2010 Disposals

On 9 June 2010, the Group sold its 100% shareholding in MBF Management Pty Limited and its subsidiary companies. These subsidiary companies held the life insurance business (MBF Life) and wealth management business (ClearView) in Australia, and were included within the International Markets segment. The MBF Life and ClearView businesses were sold for cash proceeds of £121.4m (AUD 204.3m).

On 24 September 2010, the Group completed the sale of its 100% shareholding in Guardian Homecare UK Limited, the domiciliary care business of Bupa Home Healthcare included within Care Services segment, for cash proceeds of £6.9m, of which £0.2m is deferred. In the period to 30 June 2011, £0.1m of the deferred proceeds was received.

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

Total disposals are analysed below:

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Intangible assets	4.6	34.0	41.7
Property, plant and equipment	0.2	0.1	0.8
Financial investments	179.1	149.0	148.3
Assets backing life investment contract liabilities	-	840.4	852.4
Assets arising from insurance business	177.0	0.4	0.4
Other liabilities under insurance contracts	(12.1)	-	-
Trade and other receivables	0.7	4.5	9.1
Cash and cash equivalents	-	1.3	5.0
Other interest bearing liabilities	(4.5)	-	-
Provisions under insurance contracts issued	(157.1)	36.5	37.1
Provisions for liabilities and charges	-	-	(0.4)
Deferred taxation liabilities	(18.3)	(5.5)	(5.5)
Trade and other payables	(2.7)	(93.2)	(99.2)
Life investment contract liabilities	-	(840.4)	(852.8)
Net assets divested	166.9	127.1	136.9
Foreign exchange	-	2.4	1.6
Cash flow hedge	-	(0.9)	(0.9)
Directly related costs of disposal			
- cash	0.1	1.0	2.7
- non-cash	-	1.4	-
Net gain/(loss) on sale of business	1.2	(9.9)	(11.6)
Sale proceeds	168.2	121.1	128.7

15 Cash and cash equivalents

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Cash at bank and in hand	437.1	333.8	483.8
Short-term bank deposits	627.9	716.9	208.4
Cash and cash equivalents	1,065.0	1,050.7	692.2
Bank overdrafts	-	(2.1)	(2.3)
Restricted access deposits	(35.4)	(31.2)	(35.4)
Cash and cash equivalents in the statement of cash flows	1,029.6	1,017.4	654.5

Cash and cash equivalents include £35.4m (HY 2010: £31.2m; FY 2010: £35.4m) over which the Group has restricted access. These amounts are held in respect of specific obligations and potential liabilities and may be used only to discharge those obligations and potential liabilities if and when they crystallise. Included in short-term deposits is £29.5m (HY 2010: £25.4m; FY 2010: £29.5m) to secure a liability for unapproved pension arrangements.

16 Subordinated liabilities

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Non-current			
Callable subordinated perpetual guaranteed bonds	330.0	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	41.6	41.0	40.8
Callable subordinated perpetual guaranteed bonds at carrying value	371.6	371.0	370.8
10.5% subordinated guaranteed bonds due 2018	3.9	3.9	3.9
	375.5	374.9	374.7
Current			
Callable subordinated perpetual guaranteed bonds	16.0	16.0	5.9
10.5% subordinated guaranteed bonds due 2018	0.2	0.2	-
	16.2	16.2	5.9
Total subordinated liabilities	**391.7**	**391.1**	**380.6**

Callable subordinated perpetual guaranteed bonds

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

The total fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, is £387.6m (HY 2010: £387.0m, FY 2010: £376.7m).

17 Other interest bearing liabilities

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Non-current			
Secured loans	233.8	233.9	234.0
Debenture stock	53.3	55.2	55.1
Senior unsecured bonds	347.9	347.4	347.7
Bank loans	52.7	296.4	246.5
Finance lease liabilities	3.3	3.5	3.3
	691.0	936.4	886.6
Current			
Secured loans	4.1	4.1	4.1
Debenture stock	2.8	2.6	1.8
Senior unsecured bonds	12.2	12.4	12.3
Bank loans	1.5	0.4	0.3
Bank overdrafts	-	2.1	2.3
Finance lease liabilities	0.6	0.8	0.8
	21.2	22.4	21.6
Total interest bearing liabilities	712.2	958.8	908.2

18 Post employment benefits

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees and Directors. The principal defined benefit scheme in the UK is The Bupa Pension Scheme. Contributions by employees and by Bupa Group companies are administered by trustees in funds independent of the Group. The scheme was closed to new entrants from 1 October 2002 but its existing members continue to accrue entitlements in respect of current service. The Bupa Pension Scheme has been valued as at 30 June 2011, under International Accounting Standard 19: *Employee benefits* (IAS 19) using the projected unit method based on data used for the triennial valuation as at 1 July 2008.

Unfunded defined benefit pension arrangements exist for certain employees and former employees in excess of the funded pension arrangements provided by the Group. There are no separate funds or assets in the balance sheet to support the unfunded schemes but provisions are included in the balance sheet in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2011 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 2011 by an actuary employed by the Group.

The net impact of the valuations described above is to increase the net surplus relating to post employment schemes of £64.6m as at 31 December 2010 to a net surplus of £82.7m as at 30 June 2011.

The amounts charged to the income statement were as follows:

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Current service cost	8.8	9.9	22.1
Interest on obligations	24.7	24.5	53.2
Expected return on scheme assets	(28.0)	(26.5)	(58.7)
Gains on curtailments	(2.8)	(2.5)	(5.2)
Past service cost	-	-	(2.2)
Total amount charged to consolidated income statement	2.7	5.4	9.2

The amounts recognised in the balance sheet were as follows:

	At 30 June 2011 £m	At 30 June 2010 £m	At 31 December 2010 £m
Present value of funded obligations	(941.9)	(922.3)	(921.9)
Fair value of scheme assets	1,079.7	946.2	1,039.3
Net assets of funded schemes	137.8	23.9	117.4
Present value of unfunded obligations	(55.1)	(48.5)	(52.8)
Net recognised assets/(liabilities)	82.7	(24.6)	64.6

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

Net liabilities	(59.0)	(59.6)	(56.7)
Net assets	141.7	35.0	121.3
Net recognised assets/(liabilities)	82.7	(24.6)	64.6

19 Movement in net funds

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

	At 1 January 2011 £m	Cash flow £m	Disposals (excluding cash and overdrafts) £m	Changes to market value and currencies £m	Other non-cash changes £m	At 30 June 2011 £m
Cash and cash equivalents						
Cash at bank and in hand	483.8	(51.0)	-	4.3	-	437.1
Overdrafts	(2.3)	2.3	-	-	-	-
Short-term bank deposits	173.0	417.3	-	2.2	-	592.5
		368.6				
Financial investments - non-current						
Debt securities - government gilts	39.3	(3.2)	-	(1.1)	-	35.0
Debt securities - corporate bonds	123.8	(2.1)	-	3.6	-	125.3
Shares and other variable yield securities	132.6	(0.4)	-	4.2	-	136.4
Medium-term notes	150.8	150.0	-	-	(49.6)	251.2
Deposits with credit institutions	585.3	(189.6)	-	4.3	-	400.0
		(45.3)				
Financial investments - current						
Debt securities - government gilts	6.5	(0.3)	-	(0.2)	-	6.0
Shares and other variable yield securities	10.1	(5.1)	-	1.5	-	6.5
Medium-term notes	75.5	(73.0)	-	-	50.1	52.6
Reverse repo securities	202.2	13.0	-	11.2	-	226.4
Deposits with credit institutions	832.7	(58.4)	-	8.9	-	783.2
		(123.8)				
Investment properties	120.3	1.8	-	6.5	-	128.6
		1.8				
Other interest bearing liabilities - non-current						
Secured loans	(234.0)	-	-	-	0.2	(233.8)
Debenture stock	(55.1)	-	-	-	1.8	(53.3)
Senior unsecured bonds	(347.7)	-	-	-	(0.2)	(347.9)
Bank loans	(246.5)	200.5	(5.2)	(1.9)	0.4	(52.7)
Finance lease liabilities	(3.3)	-	-	(0.2)	0.2	(3.3)
		200.5				
Other interest bearing liabilities - current						
Secured loans	(4.1)	-	-	-	-	(4.1)
Debenture stock	(1.8)	-	-	-	(1.0)	(2.8)
Senior unsecured bonds	(12.3)	-	-	-	0.1	(12.2)
Bank loans	(0.3)	1.5	(1.1)	(0.1)	(1.5)	(1.5)
Finance lease liabilities	(0.8)	0.4	-	-	(0.2)	(0.6)
		1.9				
Subordinated liabilities - non-current						
Callable subordinated perpetual guaranteed bonds	(370.8)	-	-	(0.8)	-	(371.6)
10.5% subordinated guaranteed bonds due 2018	(3.9)	-	-	-	-	(3.9)
		-				
Subordinated liabilities - current						
Callable subordinated perpetual guaranteed bonds	(5.9)	-	-	-	(10.1)	(16.0)
10.5% subordinated guaranteed bonds due 2018	-	-	-	-	(0.2)	(0.2)
		-				
Net funds per balance sheet	1,647.1	403.7	(6.3)	42.4	(10.0)	2,076.9

20 Acquisitions

On 1 June 2011, the Group acquired 100% of the share capital of Centro International de Medicina Avanzada SA for cash consideration of £11.9m (EUR 13.7m). The value of the net assets acquired was £5.8m (EUR 6.7m), this resulted in goodwill of £6.1m being recognised.

The fair value adjustments relating to the acquisition are provisional and will be finalised during the 2011 financial year.

Bupa
Statement of Directors' responsibilities
For the six months ended 30 June 2011

We confirm that to the best of our knowledge:

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

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

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

The Directors of The British United Provident Association Limited are listed in the Annual Report and Accounts for the year ended 31 December 2010, with the exception of John Lorimer who was appointed to the Board on 1 July 2011.

By order of the Board

Lord Leitch
Chairman

T Singer
Group Finance Director

9 August 2011

Independent review report to The British United Provident Association Limited from KPMG Audit Plc
For the six months ended 30 June 2011

Introduction
We have been engaged by the Company to review the condensed consolidated financial statements in the half yearly financial report for the six months ended 30 June 2011 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half year financial report for the six months ended 30 June 2011 are not prepared, in all material respects, in accordance with:

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

Mary Trussell
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London, E14 5GL

9 August 2011