**Half year report**
**For the six months ended 30 June 2012**

## BUPA DELIVERS SATISFACTORY GROWTH DRIVEN BY GOOD INTERNATIONAL PERFORMANCE

Bupa, the international healthcare group, today announced its results for the six months ended 30 June 2012.

| £m | HY 2012 | HY 2011 | Growth % |
|---|---|---|---|
| Revenues | 4,118.0 | 3,929.4 | 5 |
| Underlying profit before taxation[1] | 254.7 | 247.2 | 3 |
| Profit before taxation | 255.3 | 244.1 | 5 |
| Net cash generated from operating activities | 527.1 | 324.6 | 62 |
| Net assets | 4,665.7 | 4,646.9 | |

### Financial Highlights

- Revenues up 5% to £4.1bn, with organic growth of 4%.[2]
- Underlying profit before taxation up 3% to £254.7m, driven by sustained performance in International Markets and Care Services.
- Profit before taxation up 5% to £255.3m.
- Leverage marginally down to just below 20% (FY 2011: 20%) due to continued strong cash flow generation.
- Capital investment of £110.4m (HY 2011: £78.4m) focused on the development of care homes and investing in other healthcare provision assets.
- Customer numbers up 3% to 11.1m.[3]

### Divisional Highlights

- International Markets:
    - Revenues: up 10% to £2,068.0m
    - Profit: up 8% to £150.2m

  - Growth in customers in Bupa Australia and new products launched.
  - Innovative international private medical insurance products launched in Bupa International.
  - Good growth in customer numbers in Hong Kong, Thailand and the joint venture in India.

- Europe and North America:

    - Revenues: down 2% to £1,436.4m
    - Profit: down 22% to £35.0m

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  - Revenue and profit decreases as a result of a reduction in the number of customers and an increase in the cost of claims in the UK.
  - Continued focus on healthcare cost management and customer retention in Bupa Health and Wellbeing in a difficult UK health insurance market.
  - Good performance in Sanitas and good growth in customer numbers despite challenging economic conditions in Spain.
  - In the US, Health Dialog is redeveloping its products and services, focusing on growth areas and managing costs, to position it more effectively for the future.

- Care Services:

    - Revenues: up 4% to £612.9m
    - Profit: up 3% to £69.8m

  - Focus on increasing occupancy and publicly funded placements in the UK and Spain amid challenging economic conditions.
  - Good performance in Australia with high levels of occupancy.
  - Excellent performance in New Zealand and acquisition of a leading rehabilitation business.
  - Continued development of care homes portfolio with over £43m invested and 198 beds added; ongoing investment in leading dementia care.
  - Good performance from Bupa Home Healthcare, with a focus on oncology and parenteral nutrition.

**Commenting on the results, Stuart Fletcher, Bupa's Chief Executive, said:**

"Bupa has delivered a satisfactory set of results, in line with our expectations at the start of the year, despite challenging conditions in several of our key markets.

In the UK, the health insurance market is approaching an affordability crunch over the medium term. In this context we are taking steps on behalf of customers to tackle the rising cost of care and improve competition and efficiency among providers.

We achieved positive momentum in Australia and Spain and grew customer numbers in Asia. The Australian health insurance business performed well despite uncertainty created by changes in Government policy on health insurance.

In Care Services, the business delivered strong performances in Australia and New Zealand and focused on increasing occupancy and controlling costs in the UK and Spain amid challenging economic conditions and pressure on public sector fees and referrals.

As I look to the future, whilst the business trends are likely to continue for the remainder of 2012, I am excited about the terrific growth opportunities for Bupa over the medium to long term to strengthen our healthcare partner proposition in established markets and pursue new opportunities in developing markets. Bupa has a good platform on which to build and enable us to realise the full potential of the business over the medium term, delivering on our purpose of longer, healthier, happier lives."

**For further enquiries:**

| | | |
|---|---|---|
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| | Gareth Evans<br>Group Treasurer | 020 7656 2316 |
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A results conference call will be held at 9am on Wednesday 8th August 2012. Details are available from Bupa on 020 7656 2382.

**About Bupa**

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

We bring this about by providing a broad range of healthcare services, support and advice to people throughout their lives.

A leading international healthcare group, we offer personal and company-financed health insurance; run care homes for older people, clinics, and hospitals; and provide home healthcare, workplace healthcare, health assessments, and chronic disease management services, including health coaching.

With no shareholders we reinvest our profits to provide more and better healthcare for our customers and communities.

This means our thousands of dedicated staff can focus their efforts on looking after millions of people all over the world.

For more information visit www.bupa.com

[1]**Underlying profit before taxation** excludes non-recurring items including amortisation of intangible assets arising on business combinations and the absolute return on return seeking assets.

[2] **Organic growth** in revenues and profit excludes the impact of foreign exchange movements and acquisitions and disposals.

[3]**Customer numbers** includes 1.5m of associates' customers (FY 2011: 1.3m).

## Overview

Bupa's purpose is longer, healthier, happier lives. We bring this about by providing a broad range of healthcare services, support and advice to people throughout their lives.

In the first half of 2012 Bupa has developed new propositions to improve access to high quality healthcare. For business customers, we have launched products that offer quicker access to international health cover and more flexible products better tailored to the needs of customers. For individuals, we have enhanced the support we offer to people at different life stages, such as those looking to start a family.

We have announced our ambition to become a leading provider of dental care in the UK and have continued to invest in growing our dental business in Spain. As with our care homes, these services will be accessible to everyone, not just existing Bupa customers, offering a wide variety of dental care from routine examinations to specialist treatments using the latest technology. Investment in dental provision will remain a focus for the second half of 2012.

At the same time we have focused on taking measures to reduce healthcare costs on behalf of our customers. In Spain, our integrated model helps ensure we are able to manage the patient journey to deliver high quality care at every stage and drive efficiencies. In the UK health insurance customers are facing increasing costs because of insufficient competition between, and a lack of effective controls over, prices charged by providers. These costs are driving up health insurance premiums and contracting the private healthcare market. We are taking steps in an attempt to reform the market by challenging escalating fees and taking a customer-centric approach to negotiations with hospitals, to drive quality and deliver better value for customers.

In Care Services, we continue to develop our portfolio, acquiring a brain injury rehabilitation business in New Zealand that will help to extend the range of support we can offer in that market. We have invested in refurbishing and extending our existing care homes, as well as building new ones, to increase the range of specialist care we can offer to older people and enhance our capability in specialist dementia care.

In all our key markets we have faced public policy issues. In the UK and Spain we witnessed challenges from pressure on public finances, where the national budget deficit has impacted care services fees and referrals. In Australia changes to the Government's health rebate and medical levy surcharge may mean that a very small minority of customers downgrade their health cover in the second half of the year. In the UK and Australia, both governments have announced reforms that partially address the challenges of funding care for a rising population of older people. Bupa continues to take a leadership position on all these issues, engaging with governments to contribute to the debate on behalf of our customers and the sector.

Bupa has a good platform from which to build capability to take advantage of growth opportunities over the medium term. We have invested significantly in Bupa's brands, with high impact advertising campaigns launched in the UK, Hong Kong, Spain and Australia. Across the business we are acting on behalf of our customers to tackle some of the toughest challenges in healthcare, whether that's by taking a stand for the better funding of care services or by developing innovative new products and services that broaden access to high quality healthcare.

Presented below is a reconciliation of the Group's statutory profit before taxation to the underlying profit before taxation.

| | HY 2012 £m | HY 2011 £m | Growth/(Decline) £m | % |
|---|---|---|---|---|
| **Profit before taxation** | **255.3** | **244.1** | **11.2** | **5** |
| Exclude: | | | | |
| Profit on sale of business | - | (1.2) | | |
| Profit on sale of equity accounted investment | (2.6) | - | | |
| Amortisation of intangible assets arising on business combinations | 13.8 | 17.3 | | |
| Gain on return seeking assets | (11.5) | (9.3) | | |
| Revaluation gains arising on revaluation of property | (3.6) | (1.7) | | |
| Other items (including foreign exchange) | 3.3 | (2.0) | | |
| **Underlying profit before taxation** | **254.7** | **247.2** | **7.5** | **3** |

## Review of Operations

### International Markets

| | Revenues | Profit |
|---|---|---|
| **HY2012** | £2,068.0m | £150.2m |
| **HY2011** | £1,872.2m | £139.3m |
| | Increase: 10% | Increase: 8% |

The International Markets division comprises domestic health insurance businesses in Australia, Asia, and the Middle East, and international health insurance businesses, Bupa International and Bupa Latin America.

The division delivered a good performance with revenues and profit increasing with good growth in our developing markets. Excluding the impact of foreign exchange movements, profit was up 9%.

Customer numbers across the division grew by 5% to 6.1m, with the most notable increases in Bupa Australia, Bupa Thailand and in our joint ventures Bupa Arabia and Max Bupa.

*Bupa Australia*
Bupa Australia is the largest privately owned health insurer in Australia. The business continues to invest in marketing activity to raise awareness of the brand, following the highly successful launch of the Bupa brand in November 2011.

Bupa Australia delivered a solid financial performance. Overall, revenue increased as health insurance customer numbers grew by 2% to over 3.4m and profit was similar to last year with price increases restricted by the Government. Growth was supported by an increase in the number of customers purchasing health insurance in June. This followed the Federal Government's announcement of its intention to means test eligibility for the private health insurance rebate and increase the existing Medicare levy surcharge for higher income earners from 1% to 1.5% from July 2012 (the surcharge is levied on payers of Australian tax who do not have private hospital cover and who earn above a certain income).

Bupa Australia anticipates that the changes to the rebate and Medicare levy surcharge will impact a very small minority of its customers, who may choose to downgrade their cover. The business has begun a programme of customer engagement to explain the opportunities available to them to ensure they have the most appropriate cover for their healthcare needs.

The business launched three new products designed for families – Budget Family Health cover, Growing Family Health cover and Established Family Health cover. These products meet a range of family needs, from those thinking of starting a family, to those who have finished having children and want peace of mind.

An innovative new retail store was opened in Brisbane, which offers a range of services including eye care, nutrition advice, health screening, a wellness clinic and interactive technology services to help people access health information tailored to their needs. The aim of the store is to drive awareness of the brand, to encourage people to think about their healthcare needs and to position Bupa Australia as a health partner to its customers.

*Bupa International*
Bupa International is the world's leading provider of international health insurance, providing individual and group medical cover to customers in more than 190 countries.

Bupa International has seen a continued momentum in the demand for international private medical insurance services with growth in the oil and gas industry and the buoyant economic outlook in Asia driving demand. The business delivered an increase in revenues during the period and excluding the impact of foreign exchange profits remained stable. Customer numbers remained constant at 535,000.

The business launched Bupa Flex, a new short-term product allowing customers to purchase health insurance for less than a year and the initial response to this product has been positive. In addition, a number of specialised products and services were introduced for small to medium sized enterprises (SMEs) in a number of industries including oil and gas, and maritime and exploration.

The business continued to focus on customer retention by improving the quality and frequency of its communication with customers and investing in improving its online capability, for example through the introduction of a new facility to allow all Bupa International customers to enrol and claim online. In addition the business introduced a new online web portal for its network of over 5,500 hospitals, to allow them quicker access to information about the Bupa International customers they treat, such as their personal details and claims history.

*Bupa Latin America*
Bupa Latin America, based in Miami, is the largest international health insurer in the region with a focus on key markets, such as Mexico. Customer numbers dropped marginally by 1% to 162,000 amid strong competition from other insurers in the region. The business improved its website to allow customers to research a range of products online and to provide access to an extensive range of articles on how to improve their health.

*Bupa Hong Kong*
Bupa Hong Kong's health insurance business performed very well with increased customer numbers, up 6% to 258,000. An advertising campaign was introduced that was shortlisted for an award for being one of the most popular TV commercials.

*Bupa Thailand*
Bupa Thailand delivered excellent growth and recorded an increase in customer numbers of 20% to 244,000. The business successfully won a number of new corporate customers.

*Max Bupa, India*
Max Bupa, our health insurance joint venture in India, increased customer numbers by 84% to 269,000. In line with our expectations for this start-up business, the business is performing very well and we remain optimistic about its future. The business won Health Insurance Company of the Year at the Indian Insurance Awards.

*Bupa Arabia*
Bupa Arabia, an associate company based in Saudi Arabia, increased its customer numbers by 4% to 1.2m following its investment in a number of new retail distribution channels. Growth continued despite robust competition among health insurers in the region placing pressure on margins. Bupa Arabia has won awards for having the best call centre in the Middle East and, for the third time, won an award for the Best Female Working Environment in Saudi Arabia.

## Europe and North America

| | Revenues | Profit |
|---|---|---|
| **HY2012** | £1,436.4m | £35.0m |
| **HY2011** | £1,464.3m | £45.0m |
| | Decrease: 2% | Decrease: 22% |

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

Revenues and profit decreased, mainly as the result of a reduction in the number of customers and an increase in the cost of claims in the UK. Excluding the impact of foreign exchange movements, profit decreased by 16%.

Customer numbers across the division remained stable at 4.9m.

*Bupa Health and Wellbeing (BHW)*
BHW is the UK's leading health insurer serving the individual, corporate and SME business segments.

In an environment of continuing economic uncertainty and weak consumer confidence customer numbers decreased by 5% to 2.7m, in line with the market which has been in decline since 2008. Revenues remained flat and profit decreased, reflecting continued pressure on healthcare costs and the challenging broader economic climate.

In the UK, the health insurance market faces a lack of effective competition and escalating fees among providers which is leading to higher costs of healthcare.

To address these challenges, BHW is taking steps to ensure high quality healthcare is accessible to more people. For existing customers, this means ensuring health insurance enables the best possible healthcare outcomes and remains affordable. For new customers, it means developing new and innovative healthcare solutions.

The business has implemented a number of changes to enhance quality and to ensure affordability. Already 30% of BHW's corporate customers can now access the new 'open referral' service which guides patients to a selection of consultants and hospitals, and we expect this percentage to rise.

BHW has continued its customer-centric approach to negotiation with private hospital groups, challenging escalating fees and delivering better value high quality care for customers. In addition, it has undertaken an evidence-based review of the complexity classifications of the consultant and hospital reimbursement rates for surgical procedures and launched revised pricing, both up and down, across a range of procedures including orthopaedics, ophthalmology and urology, to ensure that reimbursement rates keep pace with changes in medical techniques and technology.

The business has further expanded its specialist support teams to help customers manage the medical and practical aspects of coping with oral surgery, obstetric and gynaecological conditions as well as cancer, heart conditions, mental health issues and back and knee problems.

BHW launched a TV advertising campaign to raise awareness of how its cancer cover has no financial or time limits, giving customers peace of mind that their healthcare needs are covered for as long as they need. This campaign was supported by a series of booklets offering advice and guidance to children who know someone who has been diagnosed with cancer.

The business is also proud of its support for Britain’s elite athletes. Bupa has, for over a decade, worked in partnership with UK Sport, ensuring over 1,200 of Britain’s best athletes have access to specialist medical treatment. BHW has covered over 29,000 treatments, including 1,130 fractures and 6,782 surgeries.

BHW announced a multi-million pound investment to grow its dental business and become one of the largest private dental chains in the UK by 2015. The business currently treats 13,000 people in 11 dental centres across the country and insures over 130,000 customers through dental insurance and cash plans. The business plans to open new dental centres in major cities across the UK. These centres will be open to all, not just existing Bupa customers, and will provide a wide variety of dental care, with clear and transparent pricing, from routine examinations to specialist treatments using the latest technology.

BHW is engaging with the Competition Commission (CC) to support its investigation into the market for the provision of private healthcare. BHW would like the CC to require structural changes in the market to ensure competition and efficiency among private hospitals and consultants. The investigation is likely to conclude in March 2014.

The quality of BHW continues to be recognised by the industry, winning Best Healthcare Provider in the Corporate Market at the Corporate Adviser Awards and Health Insurance Provider of the Year at the Financial Adviser Life and Pensions Awards.

*Sanitas*

Sanitas, the leading private healthcare brand in Spain, offers health insurance and operates hospitals, clinics and wellbeing services for the private and public sectors.

Sanitas continued to benefit from its integrated business model, combining insurance and provision, which offers differentiation in a highly competitive market. This integrated model helps the business manage the patient journey to deliver high quality care and manage costs. In the first half of 2012, the business delivered a good performance despite challenging economic conditions in Spain, with steady revenues and growth in profits.

The performance was supported by a focus on medical cost control in the private medical insurance business and the strong performance of the business’s dental insurance product. Health insurance customer numbers increased to 1.5m.

Sanitas is the official healthcare provider to the Spanish Paralympics Committee and provides healthcare and medical check-ups for the team. The service is the first and only medical service in the world for a Paralympics sports team and provides healthcare to all athletes whether for day-to-day issues or for elite international competitions. The National Paralympics Committee has given Sanitas an award for its commitment to supporting sport for people with disabilities.

Sanitas opened 14 dental centres across Spain bringing the total number of dental centres to 81. The business plans to open a further 30 by the end of 2012.

Sanitas Hospitales delivered strong occupancy at its two Madrid hospitals and 17 ‘Milenium centres’ (multi-disciplinary primary care clinics) and continues to develop its third hospital, in Barcelona, acquired in 2011.

Sanitas provides a complete health service to nearly 200,000 people in Manises, as part of a partnership with the Valencian regional government. The Manises hospital, within the public private partnership, continues to operate very successfully and a new pediatric neuro-rehabilitation unit was opened.

*Health Dialog*

Health Dialog is a US-based provider of health analytics and care management services working with regional and national health plans, unions and employers to improve the quality and reduce the cost of healthcare.

The market for healthcare services is undergoing significant change in the US due to recent health reforms. In addition, the challenging economic environment has forced a number of health insurers to cut costs and in-source disease management services. As a consequence, Health Dialog lost a number of clients which negatively impacted revenue. The business has re-sized its operations, is redeveloping its products and services and is working with suppliers to identify new opportunities to deploy its services closer to the point of care.

*The Bupa Cromwell Hospital*

The Bupa Cromwell Hospital is a 128-bed complex care private hospital caring for insured, self-pay and international patients. There has been strong growth in patient revenue and patient volume resulting in a rise in the number of inpatient, day case and outpatient procedures undertaken. The hospital has recently opened a Lung and Respiratory Centre offering a range of specialist treatments and tests using a multi-disciplinary approach. It also opened a new Women’s Health Centre, focused on high quality specialised gynaecology, breast and cardiology services.

## Care Services

| | Revenues | Profit |
|---|---|---|
| **HY2012** | £612.9m | £69.8m |
| **HY2011** | £588.7m | £67.7m |
| | Increase: 4% | Increase: 3% |

Bupa's Care Services division is a world-leading care services provider, offering nursing and residential care to nearly 29,000 residents in over 430 care homes in the UK, Spain, Australia and New Zealand. Care Services is a leading provider of specialist dementia care and also looks after 23,000 people in their own homes through Bupa Home Healthcare in the UK and telecare in New Zealand.

Care Services continued to perform well in mixed market conditions. A strong performance in Australia and New Zealand helped occupancy to remain broadly stable at 87.4%. Excluding the impact of foreign exchange movements, profit was up 2%. This performance is against a backdrop of continued pressure on public sector budgets, notably in the UK and Spain.

As part of a continued programme of development, Bupa invested over £43m in building, extending or refurbishing homes and added 198 beds.

*Bupa Care Homes UK*
In the UK, Bupa cares for almost 18,000 residents in 300 homes, over 70% of whom are funded wholly or in part by local authorities and the NHS. Unlike major competitors, Bupa retains freehold ownership of 80% of its care homes and has a long history of offering long-term care for older people. Extensions to two homes were opened and construction commenced on three new homes in Brighton, Glasgow and Farnham which will offer 196 beds predominantly targeting self-funding customers.

Current pressure on public funding means that older people are being looked after in their own homes for longer, resulting in fewer local authority referrals to care homes. Overall occupancy was 86.8%, marginally down on last year. The Government's austerity programme is also impacting local authority fee rates, which are still failing to increase at the rate of inflation. Against this backdrop, revenues remained steady but profit decreased.

In July, the UK government published a White Paper and Draft Bill outlining proposed reforms to the social care sector and a progress report on Government thinking on reform of funding for social care. Whilst Bupa welcomed many of the proposals, concern has been expressed that the Government has not addressed the fundamental question about how to sustainably fund a social care system that has been materially underfunded for many years. In addition, Bupa was disappointed by the Government's progress report on funding because it failed to acknowledge the current funding crisis and said that no decision on funding will be made until the next spending review in late 2013 or early 2014.

Bupa highlighted that if local authorities do not pay fairer fees, there will be a lack of investment in the sector which may lead to a contraction in the overall care homes market and a potential bed-blocking crisis for the NHS.

Bupa values its partnerships with respected thought-leaders in the sector. The UK business continued its long-term relationship with Alzheimer's Society, now supporting the charity's Memory Walks, which raise funds and awareness to combat dementia. Bupa also announced a strategic partnership with Dementia UK which will boost the number of Admiral Nurses in the UK by 10%. The business was named as one of the most forward thinking care providers by the Prime Minister at the launch of the Government's Dementia Strategy.

*Bupa Care Services Australia*
Bupa Care Services Australia provides care services for nearly 4,000 residents in 49 homes. Occupancy levels increased by 1% to 94.0% and revenues and profits were up.

The Australian Government proposed a number of reforms to the funding of care services over the next five years. The business welcomed many of the reforms; however, part of the reforms risk reducing funding to care service providers by up to $0.5bn from July 2012. Bupa Care Services Australia remains concerned about the short term impact on funding and continues to engage with the Government to influence the debate and highlight how the reforms could impact levels of investment in care homes and affect the viability of smaller operators.

The business remains actively engaged in the debate about how to improve dementia care and hosted a conference in partnership with Alzheimer's Australia in March.

A new home in Sydney was opened in May, adding 144 beds and a 119 bed home in Hobart was acquired in June 2012. The development pipeline remains strong with a number of new homes and extensions due to commence construction later in 2012.

Bupa's Bellarine Home in Victoria won the Aged and Community Care Victoria State Award for Excellence for its innovations in resident lifestyle and person-centred approach to care.

*Bupa Care Services New Zealand*
Bupa Care Services New Zealand delivers care and services to nearly 3,000 residents in 46 care homes and retirement villages. It also provides telecare services via a personal alarm network.

Revenues and profit increased and the occupancy levels remained excellent at 94.0%.

The business continued to invest in a development programme, opening 32 newly completed retirement village units at Broadview and Tararu in the North Island. In addition, Bupa Care Services acquired Albano Rehabilitation, a brain injury rehabilitation business. The business provides rehabilitation services to more than 100 teenagers and adults who have experienced head trauma and brain injuries at 8 centres in the North Island.

*Sanitas Residencial*
Sanitas Residencial operates 40 care homes and cares for 4,100 residents throughout Spain.

Occupancy levels reduced marginally to 80.5%. The business maintained a strong focus on customer care and operational efficiencies and costs in a challenging economic environment.

*Bupa Home Healthcare*
Bupa Home Healthcare continued their focus on parenteral nutrition services, continuing care nursing services in the home and providing oncology to patients in their own home. The business also launched a joint proposition for outpatient dispensing and homecare with the Co-operative Pharmacy. The partnership will deliver benefits to both patients and hospital trusts and means that medication can be delivered and administered to patients at home. Bupa Home Healthcare tendered for, and was accepted onto, the NHS National Framework for the provision of Home Parenteral Nutrition services, which will come into effect in the second half of 2012.

## FINANCIAL REVIEW

### Income Statement

***Financial income and expenses***

Net financial income increased to £24.9m (HY 2011: £11.8m) This was primarily due to higher gains on the return seeking asset portfolio, the impact of increasing cash balances around the Group and lower foreign exchange hedging costs.

At 30 June 2012, the return seeking asset portfolio was valued at £200.0m (HY 2011: £189.0m) representing 6% of total cash, cash equivalents and financial investments.

The total investment portfolio, including return-seeking assets, produced an average return of 3% in the period (HY 2011: 3%). Security of the overall portfolio remains a key priority. Despite the continued pressure on credit ratings, approximately 95% of the Group's portfolio is held in counterparties rated A-/A3 or better.

***Taxation***

The Group's effective tax rate for the period was 24% (FY 2011: 38%), which is lower than the UK corporation tax rate of 25% because of tax savings recognised in the period. The 2011 full year effective tax rate of 38% reflected the impairment of goodwill and intangible assets in 2011 which did not qualify for taxation relief.

### Balance sheet

***Total net assets***

Net assets increased by £221.8m primarily due to retained profits and an actuarial gain on pension schemes, both of which are recognised in the income and expenditure reserve. This was partially offset by a reduction in the foreign exchange translation reserve principally reflecting the general appreciation of sterling observed during the period.

***Cash and financial investments***

The Group holds cash and financial investments principally to meet the liabilities and solvency requirements of our regulated insurance entities. Cash and other financial investments totalled £3,501.2m (FY 2011: £3,066.2m).

***Interest bearing liabilities***

At 30 June 2012, Bupa had total interest bearing liabilities of £1,133.5m (FY 2011: £1,128.5m), which consisted primarily of bonds and secured loans. Leverage (debt to debt plus equity) stayed broadly constant at just below 20%.

***Foreign Exchange***

The net decrease in the foreign exchange translation reserve of £29.8m represents the decrease in the value of the underlying net assets of the Group’s overseas subsidiaries, net of hedging. The decrease in this reserve primarily reflects the appreciation of sterling against currencies in which the Group has made its investments in foreign subsidiaries, in particular against the Australian dollar and the Euro.

***Cash flow and financing***
In the period, Bupa generated £527.1m (HY 2011: £324.6m) in operating cash flows. This is significantly ahead of 2011, largely as a result of the pre-payment of customer premiums in Australia in advance of the regulatory changes being introduced on 1 July. The Group invested £110.4m in capital expenditure and invested the balance in cash deposits and financial investments.

Aside from operating cash flows, the Group's main source of liquidity comes from a £900.0m committed bank facility, negotiated in June 2010, which matures in September 2013. The facility was unused at 30 June 2012.

## BUSINESS RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the Business Risks and Uncertainties section of the Bupa Annual Report and Accounts 2011.

Bupa maintains a well established process for identifying and managing business risks.

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

In many markets in which Bupa operates, health and care is impacted by changes to public policy. The decisions of governments and regulators on issues such as tax relief and the pricing and regulation of health insurance, as well as care services fees and referrals continue to present a risk to some Bupa businesses.

## OUTLOOK

The long term drivers of healthcare create excellent opportunities for growth over the medium term.

We will continue to grow by deepening our presence in our established markets and seeking to differentiate Bupa as a healthcare partner to our customers, while investing to grow in developing markets.

The dynamics of the first half of the year, in terms of business performance and trends across the divisions, are anticipated to continue for the remainder of 2012. Bupa is well placed to adapt and develop businesses and propositions to ensure we continue to deliver quality and affordable healthcare services to our customers and wider communities and fulfil our purpose of longer, healthier, happier lives.

**Stuart Fletcher, Chief Executive**
**8 August 2012**

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

# The British United Provident Association Limited

## Condensed consolidated half year financial statements (unaudited)

## Six months ended 30 June 2012

**Bupa**

**Condensed consolidated income statement (unaudited)**

For the six months ended 30 June 2012

| | Notes | For six months ended 30 June 2012 £m | For six months ended 30 June 2011 £m | For year ended 31 December 2011 £m |
|---|---|---|---|---|
| **Revenues** | | | | |
| Gross insurance premiums | | 3,297.9 | 3,127.9 | 6,379.9 |
| Premiums ceded to reinsurers | | (15.0) | (16.1) | (34.4) |
| Net insurance premiums earned | | 3,282.9 | 3,111.8 | 6,345.5 |
| | | | | |
| Revenues from service contracts | | 5.8 | 5.7 | 11.9 |
| Care, health and other revenues | | 829.3 | 811.9 | 1,660.7 |
| **Total revenues** | 5 | 4,118.0 | 3,929.4 | 8,018.1 |
| | | | | |
| **Claims and expenses** | | | | |
| Insurance claims incurred | | (2,591.0) | (2,451.6) | (4,948.5) |
| Reinsurers' share of claims incurred | | 10.5 | 17.6 | 29.0 |
| Net insurance claims incurred | | (2,580.5) | (2,434.0) | (4,919.5) |
| Share of post-taxation results of equity accounted investments | | (1.1) | (6.0) | (2.4) |
| Other operating expenses | | (1,309.5) | (1,258.1) | (2,574.3) |
| Impairment of goodwill | | - | - | (165.8) |
| Impairment of other intangible assets arising on business combinations | 5 | - | - | (133.7) |
| Other income/(charges) | 6 | 3.5 | 1.0 | (22.9) |
| **Total claims and expenses** | | (3,887.6) | (3,697.1) | (7,818.6) |
| | | | | |
| **Profit before financial income and expense** | | 230.4 | 232.3 | 199.5 |
| | | | | |
| **Financial income and expenses** | | | | |
| Financial income | 7 | 59.2 | 50.2 | 95.0 |
| Financial expenses | 8 | (34.3) | (38.4) | (74.5) |
| | | 24.9 | 11.8 | 20.5 |
| | | | | |
| **Profit before taxation expense** | 5 | 255.3 | 244.1 | 220.0 |
| | | | | |
| Taxation expense | 9 | (60.3) | (70.8) | (84.1) |
| | | | | |
| **Profit for the financial period** | | 195.0 | 173.3 | 135.9 |
| | | | | |
| **Attributable to:** | | | | |
| Bupa | | 192.5 | 171.5 | 131.1 |
| Non-controlling interests | | 2.5 | 1.8 | 4.8 |
| | | 195.0 | 173.3 | 135.9 |

**Bupa**

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

For the six months ended 30 June 2012

| | For six months ended 30 June 2012 £m | For six months ended 30 June 2011 £m | For year ended 31 December 2011 £m |
|---|---|---|---|
| Profit for the financial period | 195.0 | 173.3 | 135.9 |
| **Other comprehensive income/(expense)** | | | |
| Unrealised gain/(loss) on revaluation of property | - | 0.1 | (31.1) |
| Actuarial gain/(loss) on pension schemes | 67.1 | 14.2 | (93.0) |
| Foreign exchange translation differences on goodwill | (16.1) | 21.9 | 3.4 |
| Other foreign exchange translation differences | (20.9) | 37.1 | (5.8) |
| Net gain on hedge of net investment in overseas subsidiary companies | 5.5 | 3.4 | 7.8 |
| Realisation of cash flow hedge | - | - | (1.3) |
| Change in fair value of underlying derivative of cash flow hedge | (0.3) | 0.5 | (1.0) |
| Other movements in non-controlling interests | - | 0.1 | - |
| Taxation (charge)/credit on income and expenses recognised directly in other comprehensive income | (8.3) | 0.2 | 33.2 |
| **Other comprehensive income/(expense) for the period, net of taxation** | 27.0 | 77.5 | (87.8) |
| **Total comprehensive income for the period** | 222.0 | 250.8 | 48.1 |
| **Attributable to:** | | | |
| Bupa | 220.2 | 248.5 | 43.9 |
| Non-controlling interests | 1.8 | 2.3 | 4.2 |
| **Total comprehensive income for the period** | 222.0 | 250.8 | 48.1 |

**Bupa**

**Condensed consolidated balance sheet (unaudited)**

As at 30 June 2012

| | Notes | At 30 June 2012 £m | At 30 June 2011 (restated)[a] £m | At 31 December 2011 (restated)[a] £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 10 | 2,177.6 | 2,538.4 | 2,208.8 |
| Property, plant and equipment | 11 | 2,281.4 | 2,316.2 | 2,272.5 |
| Investment property | | 143.7 | 128.6 | 132.5 |
| Equity accounted investments | | 39.4 | 36.5 | 43.3 |
| Financial investments | 12 | 930.8 | 947.9 | 661.5 |
| Assets arising from insurance business | 13 | 2.6 | 4.2 | 4.9 |
| Other receivables | | 125.0 | 91.0 | 132.4 |
| Other financial assets | | 61.5 | 35.4 | 45.3 |
| Post employment benefit net assets | 18 | 131.8 | 141.7 | 68.1 |
| | | 5,893.8 | 6,239.9 | 5,569.3 |
| **Current assets** | | | | |
| Financial investments | 12 | 1,329.7 | 1,074.7 | 1,221.6 |
| Inventories | | 20.0 | 17.8 | 16.5 |
| Assets arising from insurance business | 13 | 1,477.2 | 1,382.9 | 828.8 |
| Trade and other receivables | | 339.6 | 384.9 | 308.8 |
| Cash and cash equivalents | 15 | 1,240.7 | 1,029.9 | 1,183.1 |
| | | 4,407.2 | 3,890.2 | 3,558.8 |
| **Total assets** | | 10,301.0 | 10,130.1 | 9,128.1 |
| **Non-current liabilities** | | | | |
| Subordinated liabilities | 16 | (431.6) | (375.5) | (428.9) |
| Other interest bearing liabilities | 17 | (664.8) | (691.0) | (669.4) |
| Provisions under insurance contracts issued | | (25.7) | (23.6) | (25.7) |
| Post employment benefit net liabilities | 18 | (64.4) | (59.0) | (65.1) |
| Provisions for liabilities and charges | | (26.4) | (31.4) | (26.6) |
| Deferred taxation liabilities | | (186.1) | (213.7) | (174.7) |
| Trade and other payables | | (15.2) | (17.0) | (17.3) |
| | | (1,414.2) | (1,411.2) | (1,407.7) |
| **Current liabilities** | | | | |
| Subordinated liabilities | 16 | (16.2) | (16.2) | (5.9) |
| Other interest bearing liabilities | 17 | (20.9) | (26.9) | (24.3) |
| Provisions under insurance contracts issued | | (3,069.2) | (2,846.4) | (2,136.5) |
| Other liabilities under insurance contracts issued | | (41.7) | (43.2) | (13.7) |
| Provisions for liabilities and charges | | (55.0) | (52.2) | (55.9) |
| Current taxation liabilities | | (128.1) | (179.1) | (135.8) |
| Trade and other payables | | (890.0) | (908.0) | (904.4) |
| | | (4,221.1) | (4,072.0) | (3,276.5) |
| **Total liabilities** | | (5,635.3) | (5,483.2) | (4,684.2) |
| **Net assets** | | **4,665.7** | **4,646.9** | **4,443.9** |
| **Equity** | | | | |
| Property revaluation reserve | | 644.5 | 667.4 | 642.7 |
| Income and expenditure reserve | | 3,324.3 | 3,201.1 | 3,075.9 |
| Cash flow hedge reserve | | 28.8 | 30.9 | 29.0 |
| Foreign exchange translation reserve | | 632.9 | 715.5 | 662.7 |
| **Equity attributable to Bupa** | | 4,630.5 | 4,614.9 | 4,410.3 |
| **Equity attributable to non-controlling interests** | | 35.2 | 32.0 | 33.6 |
| **Total equity** | | **4,665.7** | **4,646.9** | **4,443.9** |

[a] The June 2011 and December 2011 balance sheet's have been restated, further details are provided in note 1

**Bupa**

**Condensed consolidated statement of cash flows (unaudited)**

For the six months ended 30 June 2012

| | Notes | For six months ended 30 June 2012 £m | For six months ended 30 June 2011 (restated) £m | For year ended 31 December 2011 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit before taxation expense | | 255.3 | 244.1 | 220.0 |
| *Adjustments for:* | | | | |
| Net financial income and expense | | (24.9) | (11.8) | (20.5) |
| Depreciation, amortisation and impairment | | 93.1 | 92.9 | 493.5 |
| Other non-cash items | | (2.3) | (3.2) | 23.9 |
| Changes in working capital and provisions: | | | | |
| Increase in provisions and other liabilities under insurance contracts issued | | 987.1 | 719.2 | 4.6 |
| Increase in assets under insurance contracts issued | | (659.5) | (597.0) | (47.2) |
| Change in net pension asset / liability | | 1.8 | (5.6) | (31.4) |
| (Increase) / decrease in trade and other receivables, and other assets | | (33.8) | 1.4 | 45.3 |
| Decrease in trade and other payables, and other liabilities | | (11.0) | (63.6) | (53.1) |
| **Cash generated from operations** | | 605.8 | 376.4 | 635.1 |
| Income tax and withholding tax paid | | (62.5) | (51.8) | (109.7) |
| Increase in cash held in restricted access deposits | | (16.2) | - | (9.9) |
| **Net cash generated from operating activities** | | 527.1 | 324.6 | 515.5 |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiary companies, net of cash acquired | | (2.9) | (11.8) | (11.7) |
| Acquisition of equity accounted investments | | (2.0) | (2.2) | (5.6) |
| Disposal of subsidiary companies, net of cash disposed of | 14 | - | 168.2 | 171.7 |
| Disposal of equity accounted investments | | 7.1 | - | - |
| Dividends received from associates | | - | 1.5 | 1.5 |
| Purchase of intangible assets | | (28.7) | (22.6) | (63.9) |
| Purchase of property, plant and equipment | | (81.7) | (55.8) | (147.2) |
| Proceeds from sale of property, plant and equipment | | 6.6 | - | 1.5 |
| Purchase of investment property | | (5.9) | (1.9) | (7.4) |
| Proceeds from sale of investment property | | - | 0.1 | - |
| Purchase of financial investments, excluding deposits with credit institutions | | (37.5) | (436.9) | (258.6) |
| Proceeds from sale of financial investments, excluding deposits with credit institutions | | 148.0 | 358.0 | 321.4 |
| (Investment into) / net withdrawal from deposits with credit institutions | | (471.4) | 248.0 | 224.7 |
| Interest received | | 36.4 | 34.0 | 61.5 |
| **Net cash (used in) / generated from investing activities** | | (432.0) | 278.6 | 287.9 |
| **Cash flow from financing activities** | | | | |
| Proceeds from issue of interest bearing liabilities | | 0.4 | 0.5 | - |
| Repayment of interest bearing liabilities | | (6.8) | (202.9) | (205.4) |
| Interest paid | | (26.8) | (29.2) | (63.1) |
| Receipts / (payments) for hedging instruments | | 10.5 | (3.0) | (6.3) |
| Dividends paid to non-controlling interests | | (0.2) | - | (0.3) |
| **Net cash used in financing activities** | | (22.9) | (234.6) | (275.1) |
| **Net increase in cash and cash equivalents** | | 72.2 | 368.6 | 528.3 |
| Cash and cash equivalents at beginning of period | | 1,183.0 | 654.8 | 654.8 |
| Effect of exchange rate changes | | (14.6) | 6.5 | (0.1) |
| **Cash and cash equivalents at end of period** | 15 | 1,240.6 | 1,029.9 | 1,183.0 |

**Bupa**

**Condensed consolidated statement of changes in equity (unaudited)**

For the six months ended 30 June 2012

| For the six months ended 30 June 2012 | 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 | 642.7 | 3,075.9 | 29.0 | 662.7 | **4,410.3** | 33.6 | **4,443.9** |
| Retained profit for the period | - | 192.5 | - | - | **192.5** | 2.5 | **195.0** |
| Other comprehensive income/(expense) | | | | | | | |
| Realised revaluation surplus on disposal of property | (1.4) | 1.4 | - | - | **-** | - | **-** |
| Actuarial gain on pension schemes | - | 67.1 | - | - | **67.1** | - | **67.1** |
| Foreign exchange translation differences on goodwill | - | - | - | (16.1) | **(16.1)** | - | **(16.1)** |
| Other foreign exchange translation differences | (1.1) | - | - | (19.2) | **(20.3)** | (0.6) | **(20.9)** |
| Net gain on hedge of net investment in overseas subsidiary companies | - | - | - | 5.5 | **5.5** | - | **5.5** |
| Change in fair value of underlying derivative of cash flow hedge | - | - | (0.3) | - | **(0.3)** | - | **(0.3)** |
| Taxation credit/(charge) on income and expense recognised directly in other comprehensive income | 4.3 | (12.6) | 0.1 | - | **(8.2)** | (0.1) | **(8.3)** |
| **Other comprehensive income/(expense) for the period, net of taxation** | 1.8 | 55.9 | (0.2) | (29.8) | **27.7** | (0.7) | **27.0** |
| **Total comprehensive income/(expense) for the period** | 1.8 | 248.4 | (0.2) | (29.8) | **220.2** | 1.8 | **222.0** |
| **Contributions to non-controlling interests** | | | | | | | |
| Dividends paid to non-controlling interests | - | - | - | - | **-** | (0.2) | **(0.2)** |
| **Total contributions to non-controlling interests for the period** | - | - | - | - | - | (0.2) | (0.2) |
| **At end of period** | **644.5** | **3,324.3** | **28.8** | **632.9** | **4,630.5** | **35.2** | **4,665.7** |
| | | | | | | | |
| **For the six months ended 30 June 2011** | | | | | | | |
| At beginning of period | 660.5 | 3,019.1 | 30.7 | 656.1 | **4,366.4** | 29.7 | **4,396.1** |
| Retained profit for the period | - | 171.5 | - | - | **171.5** | 1.8 | **173.3** |
| Other comprehensive income/(expense) | | | | | | | |
| Unrealised gain on disposal 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 gain 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** |
| 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 year ended 31 December 2011** | | | | | | | |
| At beginning of year | 660.5 | 3,019.1 | 30.7 | 656.1 | **4,366.4** | 29.7 | **4,396.1** |
| Retained profit for the financial year | - | 131.1 | - | - | **131.1** | 4.8 | **135.9** |
| Other comprehensive income/(expense) | | | | | | | |
| Unrealised loss on revaluation of property | (31.1) | - | - | - | **(31.1)** | - | **(31.1)** |
| Actuarial loss on pension schemes | - | (93.0) | - | - | **(93.0)** | - | **(93.0)** |
| Foreign exchange translation differences on goodwill | - | - | - | 3.4 | **3.4** | - | **3.4** |
| Other foreign exchange translation differences | (0.4) | - | - | (5.1) | **(5.5)** | (0.3) | **(5.8)** |
| Net gain on hedge of net investment in overseas subsidiary companies | - | - | - | 7.8 | **7.8** | - | **7.8** |
| Realisation of cash flow hedge on impairment of intangibles arising acquisition | - | - | (1.3) | - | **(1.3)** | - | **(1.3)** |
| Change in fair value of underlying derivative of cash flow hedge | - | - | (0.6) | - | **(0.6)** | (0.4) | **(1.0)** |
| Taxation credit on income and expense recognised directly in other comprehensive income | 13.7 | 18.7 | 0.2 | 0.5 | **33.1** | 0.1 | **33.2** |
| **Other comprehensive (expense)/income for the year, net of taxation** | (17.8) | (74.3) | (1.7) | 6.6 | **(87.2)** | (0.6) | **(87.8)** |
| **Total comprehensive (expense)/income for the year** | (17.8) | 56.8 | (1.7) | 6.6 | **43.9** | 4.2 | **48.1** |
| **Contributions to non-controlling interests** | | | | | | | |
| Dividends paid to non-controlling interests | - | - | - | - | - | (0.3) | **(0.3)** |
| **Total contributions to non-controlling interests for the year** | - | - | - | - | - | (0.3) | (0.3) |
| **At end of year** | **642.7** | **3,075.9** | **29.0** | **662.7** | **4,410.3** | **33.6** | **4,443.9** |

### 1 Financial information and basis of preparation

The British United Provident Association ('Bupa' or the 'Company') is a company incorporated in England and Wales. The condensed consolidated half year financial statements of the Company as at and for the six months ended 30 June 2012 comprise those of the Company and its subsidiary companies (together referred to as the 'Group').

These condensed consolidated half year financial statements were approved by a duly appointed and authorised committee of the Board of Directors of Bupa on 7 August 2012.

These condensed consolidated financial statements for the half year ended 30 June 2012 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 2011, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

The annual financial statements for the financial year ended 31 December 2011 have been reported on by the Company's auditors, KPMG Audit Plc, and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2011 and the financial period ended 30 June 2011 are consistent with the Group's annual financial statements and half year financial statements respectively, except for the following restatements.

Finalisation of accounting for business combinations
In accordance with IFRS 3, the acquisition accounting for the acquisition of Health Eyewear, made in 2010, and Centro Internacional de Medicina Avazade (CIMA), made in the first half of 2011, were finalised during the 2011 financial year. As a result the 30 June 2011 balance sheet has been restated to reflect the final fair value adjustments. The impact on the Group balance sheet of the fair value adjustments relating to Health Eyewear are as follows: an increase to intangible assets of £7.7m, an increase to property, plant and equipment of £1.1m, a decrease to inventories of £0.2m, a decrease to current trade and receivables of £0.1m, an increase to cash and cash equivalents of £0.3m, an increase to non-current provisions for liabilities and charges of £0.2m, a decrease to deferred taxation liabilities of £0.3m, an increase to current other interest bearing liabilities of £5.7m, an increase to current taxation liabilities of £0.1m and an increase to current trade and other payables of £3.1m. The impact on the Group balance sheet of the fair value adjustments relating to CIMA are as follows: an increase to intangible assets of £0.6m, a decrease to property, plant and equipment of £0.5m and an increase to current taxation liabilities of £0.1m.

Reclassifications
The June 2011 and December 2011 balance sheets have been restated to disclose restricted cash (HY 2011: £35.4m; FY 2011: £45.3m) as other financial assets. These balances had previously been disclosed as part of cash and cash equivalents (note 15).

The December 2011 balance sheet has been restated for a reclassification from current assets to current liabilities relating to the following lines: an increase in assets arising from insurance businesses of £459m, and a increase in provisions under insurance contracts issued of £459m. These balances had previously been presented net.

### 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 2011 Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's report on pages 24 to 27 of the Group's 2011 Annual Report and Accounts, together with further information disclosed in notes 21 to 23 and 31. In addition, notes 30, 32 and 33 of the Group's 2011 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.

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 2012 to 2014, which take account of reasonable possible changes in trading performance.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statments. The Group maintains significant cash balances to meet its day to day working capital requirements.

The Group's £900m committed bank facility, which matures on 30 September 2013, was undrawn at 30 June 2012 with the exception of £6.4m of outstanding letters of credit for general business purposes.

### 3 Accounting policies

The accounting policies adopted are consistent with those used in preparing the annual financial statements for the year ended 31 December 2011, 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 2011.

## 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:

- International Markets
  - provision of health insurance and related products sold in the international expatriate market;
  - provision of health insurance and related products sold in the domestic markets within the Middle East, Africa, Asia Pacific, Australasia and South America.

- Europe and North America
  - provision of health insurance and related products sold in domestic markets within Europe;
  - provision of care management and analytic services primarily in the US;
  - management and operation of private hospitals in the UK and Spain, providing medical and ancillary services to patients.

- Care Services
  - provision of nursing, residential and respite care within the UK, Spain, Australia and New Zealand;
  - provision of retirement village schemes within New Zealand;
  - provision of home healthcare products and services within the UK.

The total profit of the reportable segments is reconciled below to profit before taxation expense in the consolidated income statement.

**5 Segmental information (continued)**

| For the six months ended 30 June 2012 | International Markets £m | Europe and North America £m | Care Services £m | Total £m |
|---|---|---|---|---|
| **(i) Revenues** | | | | |
| Total revenues for reportable segments | 2,068.0 | 1,440.1 | 613.1 | 4,121.2 |
| Inter segment elimination | - | (3.7) | (0.2) | (3.9) |
| External revenues for reportable segments | 2,068.0 | 1,436.4 | 612.9 | 4,117.3 |
| Net reclassifications to other expenses or financial income and expense | | | | 0.5 |
| Unallocated central revenue / expense | | | | 0.2 |
| Consolidated total revenues | | | | 4,118.0 |
| **(ii) Segment result** | | | | |
| Profit for reportable segments (including share of post taxation results of equity accounted investments) | 150.2 | 35.0 | 69.8 | 255.0 |
| Amortisation of other intangible assets arising on business combinations | (10.6) | - | (3.2) | (13.8) |
| | 139.6 | 35.0 | 66.6 | 241.2 |
| Net reclassification to financial income and expense | | | | (3.9) |
| Unallocated central income | | | | (10.4) |
| **Profit*** | | | | **226.9** |
| Other income / (charges) | | | | 3.5 |
| Profit before financial income and expense | | | | 230.4 |
| Financial income and expense | | | | 24.9 |
| | 139.6 | 35.0 | 66.6 | |
| **Consolidated profit before taxation expense** | | | | **255.3** |
| **For the six months ended 30 June 2011** | | | | |
| **(i) Revenues** | | | | |
| Total revenues for reportable segments | 1,872.2 | 1,468.2 | 588.9 | 3,929.3 |
| Inter segment elimination | - | (3.9) | (0.2) | (4.1) |
| External revenues for reportable segments | 1,872.2 | 1,464.3 | 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** | | | | |
| Profit for reportable segments (including share of post taxation results of equity accounted investments) | 139.3 | 45.0 | 67.7 | 252.0 |
| Amortisation of other intangible assets arising on business combinations | (10.4) | (4.2) | (2.7) | (17.3) |
| | 128.9 | 40.8 | 65.0 | 234.7 |
| Net reclassification to financial income and expense | | | | (1.3) |
| Unallocated central income / expense | | | | (2.1) |
| **Profit*** | | | | **231.3** |
| Other income / (charges) | | | | 1.0 |
| Profit before financial income and expense | | | | 232.3 |
| Financial income and expense | | | | 11.8 |
| | 128.9 | 40.8 | 65.0 | |
| **Consolidated profit before taxation expense** | | | | **244.1** |
| **For the year ended 31 December 2011** | | | | |
| **(i) Revenues** | | | | |
| Total revenues for reportable segments | 3,874.3 | 2,941.6 | 1,204.0 | 8,019.9 |
| Inter segment elimination | - | (7.9) | (0.3) | (8.2) |
| External revenues for reportable segments | 3,874.3 | 2,933.7 | 1,203.7 | 8,011.7 |
| Net reclassifications to other expenses or financial income and expense | | | | 4.4 |
| Unallocated central revenue / expense | | | | 2.0 |
| Consolidated total revenues | | | | 8,018.1 |
| **(ii) Segment result** | | | | |
| Profit for reportable segments (including share of post taxation results of equity accounted investments) | 283.4 | 141.7 | 146.7 | 571.8 |
| Amortisation of other intangible assets arising on business combinations | (20.9) | (8.6) | (5.4) | (34.9) |
| | 262.5 | 133.1 | 141.3 | 536.9 |
| Net reclassification to financial income and expense | | | | (4.1) |
| Unallocated central income/expense | | | | (10.9) |
| **Profit*** | | | | **521.9** |
| Impairment of goodwill | - | (165.8) | - | (165.8) |
| Impairment of other intangible assets arising on business combinations | (57.5) | (75.3) | (0.9) | (133.7) |
| Other income / (charges) | | | | (22.9) |
| Profit before financial income and expense | | | | 199.5 |
| Financial income and expense | | | | 20.5 |
| | 205.0 | (108.0) | 140.4 | |
| **Consolidated profit before taxation expense** | | | | **220.0** |

* Profit 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 2012 £m | For six months ended 30 June 2011 £m | For year ended 31 December 2011 £m |
|---|---|---|---|
| Net gain on sale of business | - | 1.2 | 0.3 |
| Net gain/(loss) on sale of equity accounted investment | 2.6 | - | (0.4) |
| Deficit on revaluation of property | - | - | (0.4) |
| Impairment of property | - | - | (20.9) |
| Net gain/(loss) on disposal of property, plant and equipment | 0.9 | (0.2) | (1.5) |
| **Total other income/(charges)** | 3.5 | 1.0 | (22.9) |

## 7 Financial income

| | For six months ended 30 June 2012 £m | For six months ended 30 June 2011 £m | For year ended 31 December 2011 £m |
|---|---|---|---|
| Interest income | | | |
| Loans and receivables | 41.6 | 38.8 | 81.3 |
| Investments held to maturity | 2.8 | 2.6 | 5.7 |
| Investments designated at fair value through profit or loss | 1.0 | (0.2) | 0.5 |
| Net realised gains on financial investments designated at fair value through profit or loss | - | 0.4 | 0.7 |
| Net increase in fair value | | | |
| Investments designated at fair value through profit or loss | 11.9 | 8.1 | 4.0 |
| Investment property | 3.6 | 1.7 | 3.8 |
| Net foreign exchange loss | (1.7) | (1.2) | (1.0) |
| **Total financial income** | 59.2 | 50.2 | 95.0 |

Included within financial income is a net gain, after hedging, on the Group's return seeking asset portfolio of £11.5m (HY 2011: net gain of £9.3m; FY 2011: net gain of £6.6m).

## 8 Financial expense

| | For six months ended 30 June 2012 £m | For six months ended 30 June 2011 £m | For year ended 31 December 2011 £m |
|---|---|---|---|
| Interest expense on financial liabilities at amortised cost | 33.6 | 37.8 | 72.8 |
| Finance charges in respect of finance leases | - | 0.1 | 0.1 |
| Other financial expenses | 0.7 | 0.5 | 1.6 |
| **Total financial expense** | 34.3 | 38.4 | 74.5 |

## 9 Taxation expense

The Group's effective tax rate for the period was 23.6% (HY 2011: 29%, FY 2011: 38.2%), which is lower than the UK corporation tax rate of 25% because of tax savings recognised in the period. The 2011 full year effective tax rate of 38.2% reflected the impairment of goodwill and intangible assets in 2011 which did not qualify for taxation relief.

### 10 Intangible assets

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Net book value at beginning of period | 2,208.8 | 2,517.2 | 2,517.2 |
| Assets arising on business combinations | 2.6 | 6.7 | 6.8 |
| Additions | 28.6 | 22.6 | 63.9 |
| Disposals | - | - | (0.1) |
| Amortisation for the period | (41.3) | (42.0) | (87.7) |
| Impairment loss | - | - | (301.1) |
| Other | 0.1 | 6.5 | 9.4 |
| Foreign exchange | (21.2) | 27.4 | 0.4 |
| Net book value at end of period | 2,177.6 | 2,538.4 | 2,208.8 |

The net book value of intangible assets comprises:

| | | | |
|---|---|---|---|
| Goodwill | 1,628.1 | 1,826.0 | 1,641.6 |
| Computer software | 191.4 | 210.1 | 192.1 |
| Customer relationships | 188.7 | 251.4 | 201.0 |
| Other | 169.4 | 250.9 | 174.1 |
| | 2,177.6 | 2,538.4 | 2,208.8 |

Intangible assets of £2,177.6m (HY 2011: £2,538.4m; FY 2011: £2,208.8m) includes £357.0m (HY 2011: £535.6m; FY 2011: £375.1m) which is attributable to intangible assets arising on business combinations as follows:

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Customer relationships | 188.7 | 251.4 | 201.0 |
| Bed licences (within Bupa Care Services Australia) | 99.3 | 101.7 | 100.5 |
| Licences to operate care homes | 47.0 | 54.7 | 50.0 |
| Leases | 12.5 | 13.4 | 12.9 |
| Distribution networks | 7.5 | 10.1 | 8.7 |
| Present valuation of acquired in-force business | 1.4 | 1.4 | 1.4 |
| Brands and trademarks | 0.6 | 69.6 | 0.6 |
| Technology and databases | - | 33.3 | - |
| | 357.0 | 535.6 | 375.1 |

**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 2011. 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 2012 which identified that no impairment indicators were present.

### 11 Property, plant and equipment

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Net book value at beginning of period | 2,272.5 | 2,294.7 | 2,294.7 |
| Additions through business combinations | - | 3.6 | 3.6 |
| Additions | 77.6 | 50.3 | 147.7 |
| Disposals | (5.6) | (0.2) | (3.0) |
| Depreciation charge for the period | (51.8) | (50.9) | (106.0) |
| Revaluations | - | 0.1 | 7.5 |
| Impairments | - | - | (59.9) |
| Other | (0.1) | (6.5) | (9.3) |
| Foreign exchange | (11.2) | 25.1 | (2.8) |
| Net book value at end of period | 2,281.4 | 2,316.2 | 2,272.5 |

### 12 Financial investments

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| **Non-current** | | | |
| Designated at fair value through profit or loss | | | |
| Debt securities - government bonds | 11.6 | 35.0 | 7.1 |
| Debt securities - corporate bonds | 69.7 | 54.7 | 56.5 |
| Shares and other variable yield securities | 146.9 | 136.4 | 139.3 |
| Held to maturity | | | |
| Medium-term notes | 200.9 | 251.2 | 200.9 |
| Loans and receivables | | | |
| Debt securities - corporate bonds | 74.0 | 70.6 | 72.2 |
| Deposits with credit institutions | 427.7 | 400.0 | 185.5 |
| | 930.8 | 947.9 | 661.5 |
| **Current** | | | |
| Designated at fair value through profit or loss | | | |
| Debt securities - government bonds | 9.8 | 6.0 | 8.4 |
| Debt securities - corporate bonds | 29.5 | - | 26.5 |
| Shares and other variable yield securities | - | 6.5 | - |
| Held to maturity | | | |
| Medium term notes | 50.1 | 52.6 | 180.5 |
| Debt securities - government bonds | 0.5 | - | 0.5 |
| Loans and receivables | | | |
| Reverse repo securities | - | 226.4 | - |
| Deposits with credit institutions | 1,239.8 | 783.2 | 1,005.7 |
| | 1,329.7 | 1,074.7 | 1,221.6 |
| **Total financial investments** | 2,260.5 | 2,022.6 | 1,883.1 |

### 13 Assets arising from insurance business

| | At 30 June 2012 £m | At 30 June 2011 (restated) £m | At 31 December 2011 £m |
|---|---|---|---|
| **Non-current** | | | |
| Reinsurers' share of insurance provisions | 0.7 | 1.2 | 3.1 |
| Deferred acquisition costs | 1.9 | 3.0 | 1.8 |
| | 2.6 | 4.2 | 4.9 |
| **Current** | | | |
| Insurance debtors | 1,199.3 | 1,178.1 | 656.5 |
| Reinsurers' share of insurance provisions | 23.6 | 16.2 | 16.3 |
| Deferred acquisition costs | 83.2 | 81.3 | 62.0 |
| Medicare rebate | 147.8 | 85.2 | 70.9 |
| Risk Equalisation Trust Fund recoveries | 23.3 | 22.1 | 23.1 |
| | 1,477.2 | 1,382.9 | 828.8 |
| **Total assets arising from insurance business** | 1,479.8 | 1,387.1 | 833.7 |

**14 Disposals**

There were no disposals in the six months to 30 June 2012.

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.

**15 Cash and cash equivalents**

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Cash at bank and in hand | 515.8 | 431.5 | 440.1 |
| Short-term bank deposits | 724.9 | 598.4 | 743.0 |
| **Cash and cash equivalents** | 1,240.7 | 1,029.9 | 1,183.1 |
| Bank overdrafts | (0.1) | - | (0.1) |
| Cash and cash equivalents in the statement of cash flows | 1,240.6 | 1,029.9 | 1,183.0 |

**16 Subordinated liabilities**

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| **Non-current** | | | |
| Callable subordinated perpetual guaranteed bonds | 330.0 | 330.0 | 330.0 |
| Fair value adjustment in respect of hedged interest rate risk | 79.8 | 41.6 | 76.7 |
| Callable subordinated perpetual guaranteed bonds at carrying value | 409.8 | 371.6 | 406.7 |
| Other subordinated debt due 2024 | 17.9 | - | 18.3 |
| 10.5% subordinated guaranteed bonds due 2018 | 3.9 | 3.9 | 3.9 |
| | 431.6 | 375.5 | 428.9 |
| **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** | **447.8** | **391.7** | **434.8** |

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

The total fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, is £425.8m (HY 2011: £387.6m, FY 2011: £412.6m).

**17 Other interest bearing liabilities**

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| **Non-current** | | | |
| Secured loans | 233.8 | 233.8 | 233.9 |
| Debenture stock | 51.2 | 53.3 | 53.2 |
| Senior unsecured bonds | 348.5 | 347.9 | 348.2 |
| Bank loans | 28.6 | 52.7 | 31.1 |
| Finance lease liabilities | 2.7 | 3.3 | 3.0 |
| | 664.8 | 691.0 | 669.4 |
| **Current** | | | |
| Secured loans | 4.1 | 4.1 | 4.1 |
| Debenture stock | 3.0 | 2.8 | 1.9 |
| Senior unsecured bonds | 12.3 | 12.2 | 12.3 |
| Bank loans | 1.2 | 7.2 | 5.5 |
| Bank overdrafts | 0.1 | - | 0.1 |
| Finance lease liabilities | 0.2 | 0.6 | 0.4 |
| | 20.9 | 26.9 | 24.3 |
| **Total interest bearing liabilities** | 685.7 | 717.9 | 693.7 |

**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 2012, under International Accounting Standard 19: *Employee benefits* (IAS 19) using the projected unit method based on data used for the triennial valuation as at 1 July 2011.

Unfunded defined benefit pension arrangements exist for certain employees and former employees in excess of the funded pension arrangements provided by the Group. There are no separate funds or assets in the balance sheet to support the unfunded schemes 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 2012 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 2012 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 from £3.0m as at 31 December 2011 to a net surplus of £67.4m as at 30 June 2012.

The amounts charged to the income statement were as follows:

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Current service cost | 8.9 | 8.8 | 20.0 |
| Interest on obligations | 24.8 | 24.7 | 51.4 |
| Expected return on scheme assets | (24.5) | (28.0) | (60.7) |
| Gains on curtailments | - | (2.8) | (2.8) |
| Total amount charged to consolidated income statement | 9.2 | 2.7 | 7.9 |

The amounts recognised in the balance sheet were as follows:

| | At 30 June 2012 £m | At 30 June 2011 £m | At 31 December 2011 £m |
|---|---|---|---|
| Present value of funded obligations | (1,070.5) | (941.9) | (1,091.9) |
| Fair value of scheme assets | 1,191.7 | 1,079.7 | 1,149.0 |
| Net assets of funded schemes | 121.2 | 137.8 | 57.1 |
| Present value of unfunded obligations | (53.8) | (55.1) | (54.1) |
| Net recognised assets/(liabilities) | 67.4 | 82.7 | 3.0 |

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 assets | 131.8 | 141.7 | 68.1 |
| Net liabilities | (64.4) | (59.0) | (65.1) |
| Net recognised assets/(liabilities) | 67.4 | 82.7 | 3.0 |

## 19 Movement in net funds

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

| | At 1 January 2012 £m | Cash flow £m | Changes to market value and currencies £m | Other non-cash changes £m | At 30 June 2012 £m |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | | | | | |
| Cash at bank and in hand | 440.1 | 82.1 | (6.4) | - | 515.8 |
| Overdrafts | (0.1) | - | - | - | (0.1) |
| Short-term bank deposits | 743.0 | (9.9) | (8.2) | - | 724.9 |
| | | 72.2 | | | |
| **Financial investments - non-current** | | | | | |
| Debt securities - government bonds | 7.1 | 3.8 | 0.6 | 0.1 | 11.6 |
| Debt securities - corporate bonds | 128.7 | 16.7 | 4.8 | (6.5) | 143.7 |
| Shares and other variable yield securities | 139.3 | (0.1) | 7.7 | - | 146.9 |
| Medium-term notes | 200.9 | - | - | - | 200.9 |
| Deposits with credit institutions | 185.5 | 476.1 | (2.2) | (231.7) | 427.7 |
| | | 496.5 | | | |
| **Financial investments - current** | | | | | |
| Debt securities - government bonds | 8.9 | 1.0 | (0.2) | 0.6 | 10.3 |
| Debt securities - corporate bonds | 26.5 | (3.2) | (0.3) | 6.5 | 29.5 |
| Medium-term notes | 180.5 | (128.7) | (0.6) | (1.1) | 50.1 |
| Deposits with credit institutions | 1,005.7 | (4.7) | (9.4) | 248.2 | 1,239.8 |
| | | (135.6) | | | |
| **Investment properties** | 132.5 | 5.9 | 5.3 | - | 143.7 |
| | | 5.9 | | | |
| **Other interest bearing liabilities - non-current** | | | | | |
| Secured loans | (233.9) | - | - | 0.1 | (233.8) |
| Debenture stock | (53.2) | - | - | 2.0 | (51.2) |
| Senior unsecured bonds | (348.2) | - | - | (0.3) | (348.5) |
| Bank loans | (31.1) | - | 1.1 | 1.4 | (28.6) |
| Finance lease liabilities | (3.0) | - | 0.1 | 0.2 | (2.7) |
| | | - | | | |
| **Other interest bearing liabilities - current** | | | | | |
| Secured loans | (4.1) | - | - | - | (4.1) |
| Debenture stock | (1.9) | - | - | (1.1) | (3.0) |
| Senior unsecured bonds | (12.3) | - | - | - | (12.3) |
| Bank loans | (5.5) | 6.6 | 0.1 | (2.4) | (1.2) |
| Finance lease liabilities | (0.4) | 0.1 | - | 0.1 | (0.2) |
| | | 6.7 | | | |
| **Subordinated liabilities - non-current** | | | | | |
| Callable subordinated perpetual guaranteed bonds | (406.7) | - | (3.1) | - | (409.8) |
| Other subordinated debt due 2024 | (18.3) | (0.3) | 0.7 | - | (17.9) |
| 10.5% subordinated guaranteed bonds due 2018 | (3.9) | - | - | - | (3.9) |
| | | (0.3) | | | |
| **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** | 2,070.2 | 445.4 | (10.0) | 5.8 | 2,511.4 |

## 20 Acquisitions

On 29 June 2012, the Group acquired 100% of the share capital of Abano Rehabilitation Limited for cash consideration of £2.9m (NZD$5.7m). The value of the net assets acquired was £0.3m, this resulted in goodwill of £2.6m being recognised.

**Bupa**
**Statement of Directors' responsibilities**
For the six months ended 30 June 2012

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 2011.

By order of the Board

Lord Leitch
Chairman

Stuart Fletcher
Chief Executive

7 August 2012

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

For the six months ended 30 June 2012

## 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 2012 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 2012 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

7 August 2012