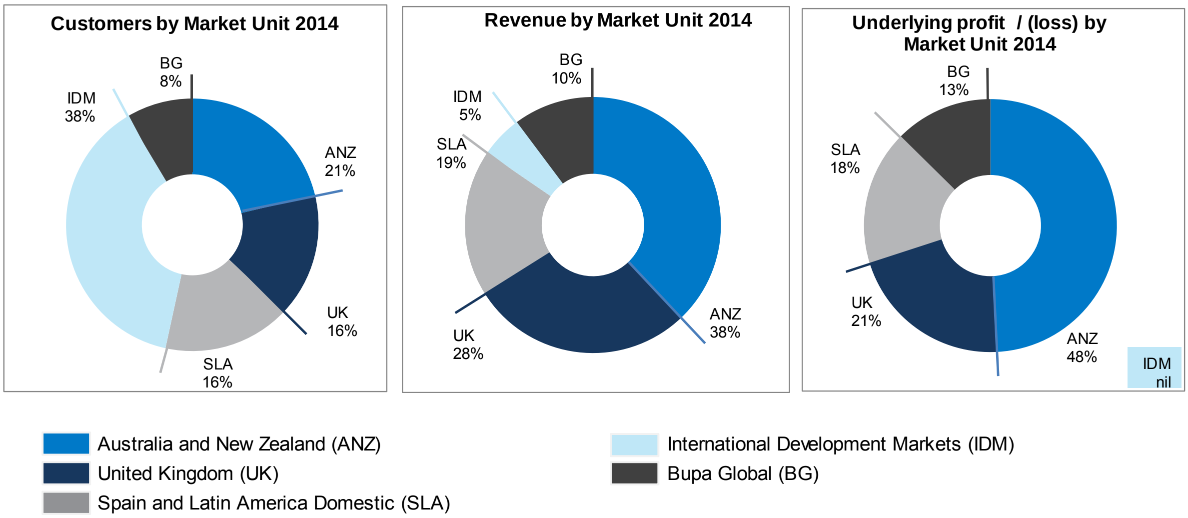
Bupa

Half year statement for the six months ended 30 June 2014

STEADY TRADING PERFORMANCE UNDERPINNED BY GLOBAL DIVERSIFICATION

HIGHLIGHTS*

- Revenues £4.8bn, up 7%; up 16% at constant exchange rates (CER).
- Underlying profit before taxation flat at £259.8m†; up 12% at CER.
- Statutory profit before taxation up 22% to £266.6m.
- Customer numbers up 39% to 22m‡, including 4.4m added through major acquisitions.
- Cash flow from operations at £542.9m (2013: £238.1m).
- Capital investment of £136.1m (2013: £115.8m).



- **Continuing growth across our globally diversified businesses**
  - Customer and revenue growth driven by investment in 2013 and 2014, expanding our footprint by geography and segment. Underlying profits up 12% at CER.
  - Pleasing overall contribution to the business from our acquisitions, adding to bottom line performance.
  - Private health insurance business in Australia performing well despite challenging regulatory and economic conditions.
  - Good customer growth beyond acquisitions, notably in Hong Kong, Saudi Arabia and India.

- **Continued focus on integration of acquisitions to create platform for future growth**
  - Since April 2013, investment in acquisitions totalling £1.6bn made up of seven major transactions.
  - Programme to embed and integrate acquisitions progressing well.
  - Dental expansion well underway in Australia, Spain, Chile and the UK.

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* All comparisons are to HY 2013 unless otherwise stated.
† See Financial Review (p19) for definition of underlying profit before taxation.
‡ Our definition of customers is an individual or party from whom Bupa derives revenue and who can elect to use our services. 2013 half year comparatives have been restated. The measurement counts customers irrespective of when they became customers during the reporting period, and includes 100% of customers in joint ventures and associates, and all micro health insurance customers. Revenue is measured on an earned basis and revenue from joint ventures and associates is excluded. Therefore significant growth in customer numbers in a period does not directly translate into reported revenue growth.

- **Strong financial position and successful bond issue**
  - Successful £350m seven-year senior bond issue in June, secured with a coupon of 3.375%, with strong investor demand.
  - Reaffirmation of A- senior debt rating from Fitch, and Baa2 rating from Moody's with stable outlook.
  - Leverage increased to 31.5% (Dec 2013: 28.9%) due to funding of the acquisition of Cruz Blanca Salud.
  - Strongly capitalised with 286% (Dec 2013: 309%) coverage of Insurance Group Directive (IGD) capital requirement.
  - Financial discipline maintained.

- **Bringing affordable, quality healthcare to more people**
  - Initiatives to tackle rising healthcare costs on behalf of customers delivering results. In the UK premiums for over half of renewing corporate customers held level or reduced.
  - New products and discounts offered to customers to give greater choice, flexibility and affordability.
  - Improved occupancy in care homes and investment in our portfolio.
  - Working in partnership with governments to deliver healthcare, expertise and advice, particularly in Australia, Spain and Saudi Arabia.

Stuart Fletcher, CEO of Bupa, commented:
"We made steady progress in the first half of 2014, marked by financial discipline, continued integration of our acquisitions and strengthening of our diversified portfolio. We are building sustainable momentum towards delivery of strong financial performance and fulfilment of our purpose of longer, healthier, happier lives. While still early days, the integration of our newly acquired businesses is progressing well, and we are pleased with their contribution to the business to date. Revenue increased by 7% (16% at constant exchange rates), and we grew customer numbers by 39% to 22m. Most Market Units performed well and delivered good trading growth. At constant exchange rates, underlying profit was up 12%, but was flat in sterling after borrowing costs."

"The global breadth of our businesses puts us in a good position to mitigate challenging economic and regulatory circumstances in the UK, Australia and Spain. We delivered customer growth in both our developed and emerging markets, particularly in Saudi Arabia and Hong Kong where we secured new contracts that strengthen our foothold and offering. The completion of our acquisition in February of Cruz Blanca Salud marked our entry into Chile, one of the most attractive markets in Latin America. Our initiatives to closely manage operating costs, drive efficiencies and improve healthcare commissioning are yielding results and we are focused on delivering Bupa 2020, our strategic vision laid out in 2012."

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CEO’s Review
In the first half of 2014 we focused on the integration of our acquired businesses, driving performance from our existing businesses and improving operational effectiveness. We delivered solid results, with consistently strong customer growth across the company and revenues up 7%. Underlying profit was flat, with improved trading from most Market Units offset by higher borrowing costs. At constant exchange rates, revenues grew 16% and underlying profits increased 12%. Statutory profits rose 22% driven by positive returns on financial investments and lower transaction costs in 2014.

A platform for future growth
We continued making steady progress in establishing our platform for future growth. For example, as part of our planned investment programme in LUX MED, our leading private healthcare business in Poland, we acquired a specialist orthopaedic hospital in Warsaw and launched a new specialist dental centre in Wroclaw. These local acquisitions sit alongside additions made in late 2013, and enable greater access to quality healthcare for our customers, widening our integrated healthcare offering in Poland.

Following the acquisition of Quality HealthCare last October, we now have an extensive funding and provision footprint in Hong Kong. In February we completed the acquisition of 56% of Cruz Blanca Salud in Chile, which, like Sanitas, our business in Spain, operates as both an insurer and healthcare provider in Chile. The integration of the business is well underway, with teams from both businesses working closely together to ensure a smooth and successful transition.

Our insurance businesses in UK, Spain and Australia have shown resilience, performing well despite the difficult trading conditions in those markets. There was strong growth in developing markets such as Hong Kong, Thailand and India where we achieved double digit growth in customers. In Saudi Arabia our associate business generated strong customer growth of 55% driven by corporate wins. In Saudi Arabia we won Bupa’s largest ever corporate customer which added 150,000 customers when the account went live on 1 July. The expansion of our dental business continues to play a pivotal role in diversifying our offering, with additional sites opened across UK, Spain and Australia, a strong presence in Chile, Hong Kong, and an initial development in Poland. This expansion has been instrumental in driving customer and revenue growth.

As highlighted in our full year results, we redefined the way we count our customers in 2013. The 2013 customers have been restated by 1.4m to 16m. The 39% increase in our customers compared with June 2013 is primarily due to our newly acquired businesses which added 4.4m customers. We are deepening our insight into customer and segment profitability by installing measurement of net promoter score in our key businesses to monitor and understand customer experience and ultimately strengthen retention and loyalty. The work to establish our global brand direction has continued apace with pilots initiated in all Market Units aimed at creating a consistent, quality brand experience, and with the introduction of new interactive tools to support our people in engaging with our new brand expression.

Funding
We successfully issued a £350m senior bond in June, secured with a coupon of 3.375%. The proceeds were used to refinance existing short term bank borrowings including the £300m bank facility taken out to fund recent acquisitions. Our principal debt ratings were re-affirmed in July by Fitch (A- stable) and Moody’s (Baa2 stable). Operating cashflows increased by £305m. The cash-generative nature of our business means that we are able to produce significant levels of cash to repay debt and maintain strong solvency headroom. We continue to target a senior rating of A- in order to ensure access to both senior and

subordinated debt markets. We are strongly capitalised with 286% coverage of the IGD capital requirements at the half year, down slightly from 309% at year end due to the impact of the acquisition of Cruz Blanca Salud. Our strong balance sheet and robust financial position are an excellent platform for driving long-term growth from our business.

Working in partnership to fulfil our purpose
We are working alongside governments to deliver quality healthcare, expertise and advice. In Australia we signed an agreement to provide health checks on behalf of the Australian Government to around 250,000 visa applicants. In Saudi Arabia we are working with the government to implement a programme to address a significant public health issue with the outbreak of Middle East Respiratory Syndrome.

Following the signing of our partnership agreement with the United Nations agency, International Telecommunication Union (ITU), we began working with the World Health Organization and ITU to use mobile technology to combat non-communicable diseases. We formally launched the initiative in London in January and this is the first stepping stone to using our global healthcare and digital expertise to improve the health of millions.

In May, our medical team participated in one of the largest and most influential conferences on dementia, the annual international conference of Alzheimer's Disease International (ADI) in Puerto Rico. Over 1,000 delegates attended representing ADI members, academics, medical professionals, carers and people living with dementia. During the conference we continued our campaign to lobby for governments to adopt our joint Dementia Charter and develop National Dementia Plans; we expect to see more developments on this later in 2014.

Our businesses are ramping up investment in financially sound, energy-saving initiatives to deliver on our commitment to reduce our carbon footprint by 20% in 2015. Our Spanish hospitals and care homes have been recognised for their work in this area. We continue to invest heavily in the skills and development of our people, both in our frontline staff and in our leadership teams. In the UK we launched the "Nursing at Bupa" programme to support our nurses in delivering the highest quality care, and are working alongside the Government to develop a nursing apprenticeship standard.

We also established a new Chief Medical Officers' (CMO) network to explore how we can collectively improve health and wellbeing, combining the experience, energy and inspiration of a global network of clinicians in corporations. There has been great interest and the inaugural meeting included participation by CMOs from Anglo American, Fujitsu, Goldman Sachs and McKesson among many others.

Outlook

In 2014 we are making good progress towards building a platform to deliver our strategic vision, Bupa 2020, with the integration and embedding of our acquired businesses firmly on track. A number of our major markets are experiencing challenging conditions. Against this backdrop, our actions to improve operational effectiveness and to strengthen our operating model are beginning to deliver benefits which are being passed on to our business and customers. We are well positioned to drive good growth from all our businesses and deliver financial returns well into the future. The diversified international portfolio puts us in a strong position to leverage our expertise and experience to tackle healthcare's biggest challenges and reach millions more people.

Australia and New Zealand

	Customers	Revenues	Underlying Profit / (Loss)
HY 2014	4.7m	£1,812.4m	£142.6m
HY 2013	4.1m	£1,910.5m	£115.9m
% growth	14% ↑	5% ↓	23% ↑
% growth (constant exchange)	-	13%↑	49% ↑

The Australia and New Zealand Market Unit comprises four business units:

- Bupa Health Insurance, the largest privately owned health insurance provider in Australia, which also offers health related services and international health cover;
- Bupa Health Services, which comprises Bupa Dental Corporation, Bupa Optical, Bupa Medical Visa Services and Bupa Health Dialog;
- Bupa Aged Care Australia, the largest privately owned residential aged care provider in Australia, caring for around 8,000 residents during 2014 in 62 homes; and
- Bupa Care Services New Zealand, New Zealand's largest aged care provider, which cared for around 21,000 people during 2014 in 56 homes, 25 retirement villages and seven rehabilitation sites. It also provides support via a personal medical alarm network to more than 14,000 people.

The Market Unit continues to perform well. Revenue was lower by 5%, but at constant exchange rates grew 13%. We increased customer numbers by 14% to 4.7m and underlying profit also grew strongly, up by 23% to £142.6m, despite an increasingly competitive market and challenging economic conditions. The growth in the Market Unit was driven by 2013 acquisitions and a strong performance by the health insurance business. At constant exchange rates, underlying profit grew 49%.

The acquisitions of both Dental Corporation and Innovative Care's aged care home portfolio in 2013 were key drivers of revenue and customer growth. Both acquisitions continue to contribute significantly to profit for the 2014 half year.

The health insurance market is increasingly competitive. There is a growing industry-wide trend of greater mobility of customers within the sector, with more customers switching between providers. In response, we have stepped up efforts to retain customers, increasing staffing in our retention teams by around 30%, improving processes to proactively approach existing customers and giving enhanced training to frontline staff. We are also adopting a new approach to the way we communicate with and engage existing customers. We are already beginning to see a positive impact from these initiatives.

The Australian economy is stable but businesses and consumers remain cautious. Consumers are still showing a preference for household saving over discretionary spending, which continues to put pressure on a number of sectors. Our approach is to differentiate ourselves in the marketplace through the quality and breadth of our healthcare services and products, rather than price. This approach has supported continued growth in this muted economic climate. In New Zealand, the economy continues to grow, with a robust outlook and favourable trends in consumer spending.

Health Insurance

The health insurance business performed strongly with double digit profit growth, even after allowing for a weakened Australian dollar. Strong profits were driven by lower claims activity and benefitted from a change in regulation. The change in regulation enabled us to reduce the amount of funds required in our claims provision.

We continue to work to transform our processes to deliver an industry leading customer experience across all customer interactions. As part of that agenda, we launched a new programme of work in April, designed to help improve customer experience by better investigating, resolving, improving and simplifying customer interactions. Simplification of the claims process for customers is also underway.

The health insurance business has built on its commitment to further improve quality in the sector by launching the “Pay for Quality” initiative. The landmark partnership with Healthscope hospitals is shifting the focus from cost to value-for-money, helping put a focus on quality improvement by creating a funding platform that rewards better healthcare outcomes in clinical quality and safety. Bupa has a responsibility to be unrelenting in pursuit of value for our members and this agreement highlights the importance of the sector working in partnership to create a sustainable system focused on better outcomes for our customers. At the centre of “Pay for Quality” is the delivery of certainty in respect of quality healthcare to the 150,000 Bupa customers treated at Healthscope hospitals every year.

Health Services
Health Services performed strongly, with very strong growth in revenue, while customer numbers increased by 223% to over half a million, driven largely by the acquisition of Dental Corporation in 2013 and continued strong performance by Bupa Optical, which was buoyed by the successful rebrand to Bupa in July 2013. The change in brand continues to drive customer growth, making it easier for our health insurance members to understand where they will access better value.

Cost of living pressures and government funding changes in Australia are impacting the frequency and type of dental services consumed, resulting in an industry-wide slowing in the dental sector. Despite this challenging climate, Bupa Dental Corporation continues to deliver solid results.

In February, Bupa was appointed to provide visa health checks and a range of other medical and processing services for the Australian government. This significant new contract commenced in late July and will provide services for around 250,000 visa applicants who are required to undergo health checks in each year. As part of this new agreement Bupa is establishing and operating a range of purpose-built medical assessment centres in major Australian cities whilst managing a network of approved medical clinics to provide services in regional areas. The establishment and operation of Bupa Visa Medical Services will drive continued growth for the Health Services business in the second half of 2014.

Care Services
Our Australian aged care business delivered double digit revenue growth and continued to grow customer numbers. This was driven by the 2013 acquisition of Innovative Care as well as new developments in New South Wales and Victoria in 2014. The expansion was coupled with good cost control at our care homes, corporate office and throughout the transaction process for the Innovative Care acquisition, resulting in a strong growth in profit. During the year, we provided care to over 8,000 residents, while occupancy increased to 92.9%.

In January, we entered into an agreement for the development and operation of six new care homes, consolidating our position as Australia’s largest private aged care provider. The first home from this new agreement opened in April this year, with other homes scheduled to be developed and opened progressively over the coming two years.

Our “Integrated Health Care Programme”, where GPs are employed in our care homes, is thriving. It has been rolled out to 20 of our 62 care homes and continues to be rolled out to mature homes in our portfolio. The programme provides residents with greater continuity of care and better access to personalised medical services that are right for them, improving health outcomes and quality of life. We are measuring outcomes of the programme independently through the University of Tasmania, and anecdotally have already recorded significant improvements in resident welfare and satisfaction.

The “Living Longer, Living Better” Government reforms, which came into effect in July 2014, are some of the most comprehensive aged care reforms Australia has seen in decades. Our business is well prepared for the changes with a response designed to improve the experience for customers and enhance the level of care we provide. We are taking the opportunity presented by the changes to differentiate ourselves in the market and enhance our appeal with customers. A full update of our customer website has improved usability and provides a simple, instructive way of navigating the changes, helping customers understand what they mean. We will explore opportunities to develop new services made possible by the reforms in the second half of 2014.

In 2014, we embarked on a journey of transformation with the goal of establishing a robust platform for continuous service improvement, across every aspect of the business. The Bupa Management System, a repository for all processes and supporting documentation, is the cornerstone of transformation in the business and provides all staff with access to the tools, work instructions and materials needed to do their job well and for our care homes to deliver consistently outstanding care.

The New Zealand Care Services business performed well, achieving a double digit increase in revenue and occupancy of 91.4%. This growth was supported by the opening of the Ascot Care Home and Village in December and Ballarat Villlage in Rangiora, both of which opened with strong village sales.

We completed the purchase of the Cargill Aged Care facility in Invercargill in June. This is the fourth and final site in the group that was acquired in 2013 from Oceania. The new home in Cargill adds another 40 care beds and a small village to the New Zealand portfolio, reinforcing our position as the largest provider of aged care beds in New Zealand and the fourth largest village provider.

We recently signed a significant new agreement with ADT Security. This agreement mitigates risks caused by changes to government contract arrangements in the first half of 2014 and ensures the medical alarms business remains strong and sustainable.

The care services business has commenced roll-out of an electronic care plan assessment tool at three development sites and is contributing to shaping the implementation of this project, which is a government priority. Internationally recognised, this evidence-based assessment and care planning instrument assesses the care needs of older people and monitors the effectiveness of the care being delivered to residents.

UK

	Customers	Revenues	Underlying Profit / (Loss)
HY 2014	3.5m	£1,336.6m	£61.3m
HY 2013	3.5m	£1,255.3m	£59.2m
% growth	-	6% ↑	4% ↑
% growth (constant exchange)	-	6% ↑	4% ↑

The UK Market Unit comprises five business units:

- Bupa Health Funding, offering health insurance and health funding products;
- Bupa Care Services, caring for nearly 29,000 residents during 2014 in 287 homes;
- Bupa Health Clinics, which runs Wellness Centres, Clinics, Occupational Health Services and Dental Clinics;
- Bupa Home Healthcare, providing out of hospital healthcare services to over 30,000 patients; and
- Bupa Cromwell Hospital, Bupa's acute care hospital based in London, providing care for insured, self-pay and international patients.

The Market Unit delivered solid results in a challenging environment with constrained public and private spending and a static private health insurance market. Revenue increased 6% to £1.3bn driven by growth in Bupa Home Healthcare and our dental expansion programme. Customer numbers were flat, with the growth in home healthcare and dental customers offset by continued low consumer demand for private health insurance. Underlying profits increased 4%, as profits from our acquisition of Richmond Care Villages and growth in our hospital services were partly offset by higher care home running costs and continued pressure on fee rates in our care homes.

Trading conditions remained tough for most of our businesses in the UK market. While the economy is showing some signs of recovery, disposable income improvement is still limited, and the private health insurance market itself remains flat. We continue to campaign for reform of the private healthcare sector and are proactively engaging with consultants and hospitals to drive better quality, value and transparency for customers. In our health insurance business we are ensuring our customers have speedy access to the best advice and care when they need it most. Initiatives such as same-day diagnosis at approved Breast Care units and self-referral via our 24/7 mental wellbeing line, provide greater ease of access and have been well received. The wellbeing line has experienced over 1,000 calls since it was launched to individual and small business customers in March 2014.

In April, the Competition and Markets Authority (CMA), formerly the Competition Commission, published the final report of its two year investigation into the UK private healthcare market. It ruled that the dominant hospital operator in central London, HCA, should sell key hospitals, that incentives paid from hospitals direct to consultants be removed, and that there be greater transparency of information on performance and fees for patients. We are urging the sector to work together to revive the market in order to drive better value for customers.

We are keen to see rapid implementation of the CMA's proposed reforms but in the meantime we continue to focus on tackling rising healthcare costs. Tackling these costs has enabled us to offer renewing corporate customers lower premiums for their employees in 2014, which is a significant milestone in making quality healthcare more affordable and accessible to more people.

Although the CMA ultimately did not rule that there had been anti-competitive behaviour by hospitals, they did find that large hospital groups are making excess profits through their high prices to customers. Therefore we are seeking a reduction in prices, of 15% or more from some major hospital providers for the benefit of hard-pressed customers. We publicly pledged that any savings made as a result of the CMA recommendations will be passed on to our customers and to delivering better value from private healthcare.

Looking forward, we expect market conditions to remain tough, and we will continue to focus on delivering cost savings and innovating to meet customer needs. Care Services will be affected by the Care Act 2014, which sets out the framework for reforms to social care including funding reforms to be implemented in 2016. The regulations and guidance will not be the subject of consultation until later this year, and so the full impact of these reforms on Bupa and the wider industry is still being assessed.

Shortages of care and nursing staff are expected to continue impacting the care services business. There are greater numbers of people in our care homes who have increasingly complex care needs and we expect this trend to continue. Care Services will continue to focus on improving care outcomes for residents and work with the public sector to deliver sustainable, high quality care.

We are continuing to progress towards our ambition of owning and operating 50 dental centres by 2015.

Health Insurance
Profit in Bupa Health Funding was broadly flat. We remain focused on effective management of healthcare costs in the face of aggressive competition centred on price and no-claims discounting. While the corporate segment has begun to show some growth, the consumer market continues to contract. Premiums were reduced or held level for over half our renewing corporate customers. Over 80% of corporate customers have now migrated to Open Referral, enabling employers to offer their employees access to high quality private healthcare whilst taking steps to control their costs. The initiatives implemented for corporate customers, along with new care management pathways, have reduced underlying medical cost growth and continued the trend that started last year. These savings have been passed on to corporate clients through lower premiums in 2014.

From January we launched a new no claims discount on our Bupa By You product. In addition, in April we launched a new quality-assured CT scan network, to ensure customers receive high quality and best value.

Bupa Health Funding continues to lead its competitors, named “Best Healthcare Provider” at the Corporate Adviser awards, and “Health Insurance Provider of the Year” at the Financial Adviser awards. The awards recognise our continued strong reputation with intermediaries and our work in bringing about healthcare reform.

Care Services
During the first half of the year, Bupa Care Services provided care to nearly 29,000 residents. Occupancy increased year-on-year to 87.6%, its highest rate since 2010. The increase was driven by strong demand for places in three new homes which were opened in the second half of 2013. Revenue increased as a consequence of higher occupancy and the contribution of Richmond Care Villages (acquired in the second half of 2013), despite continued pressure on local authority fee rates and sustained competition for self-pay customers. Excluding the acquisition, profits continued to decline due to higher care home running costs, including the effects of inflation on fuel and catering. Staffing costs also increased, reflecting a nation-wide shortage of qualified care staff.

We invested £16m in maintaining and expanding our care home portfolio. We opened one new home in Cardiff, adding 78 beds, with a second home in Tunbridge Wells due to open later in 2014. A new Richmond care village at Witney is being built to add to our existing Richmond Care Villages portfolio. As part of a long-term strategy to optimise our portfolio and focus resources on homes where we can deliver the highest quality care, we closed two homes, announced a further home closure, sold one home and also returned six homes under contract in Bedfordshire upon expiration of the contract.

In May, we launched a new training programme designed to support nurses in delivering the highest standard of care and to ensure that Bupa remains the employer of choice for qualified nurses. Following the launch of the "Aged Care Navigation Helpline" in November 2013, over 14,000 people have contacted Bupa's care experts to get free advice and information on the aged care system.

Health Clinics
We continued the expansion of our dental centre network, adding 11 new dental centres in the first half of 2014 to bring our total to 31. These new centres provide a full range of high quality dental services at affordable prices and this expansion programme has driven year-on-year revenue growth. The new centres are giving customers easy access to high quality general, specialist and cosmetic dentistry services, and carry out over 50,000 appointments a year.

Revenue growth was also driven by the addition of new services such as musculoskeletal, cardiology and radiology services in more of our wellness clinics, as well as a new dedicated clinics sales force team.

Hospital Services and Home Healthcare
Bupa Home Healthcare delivered double digit revenue and customer growth, driven by new contracts won in the latter part of 2013. Performance improved on 2013, despite ongoing pressure on margins. The home healthcare market continues to experience significant pressures and change, resulting in a challenging trading environment. There has been increased scrutiny of, and delays in, new home care contracts, which has been exacerbated by media coverage of competitor service issues and pressures on public funding. We continue to focus on delivering cost savings through operational efficiencies and targeted reductions in overheads, for example, by reducing delivery costs.

Revenue and profits increased year-on-year at The Bupa Cromwell Hospital driven by strong growth in patient numbers, particularly from foreign embassies, and good cost control. In April, we opened a new paediatric walk-in centre, which has been well received and is making quality healthcare more accessible for local families.

Spain and Latin America Domestic

	Customers	Revenues	Underlying Profit / (Loss)
HY 2014	3.6m	£885.0m	£54.4m
HY 2013	2.2m	£681.7m	£46.0m
% growth	62%	30% ↑	18% ↑
% growth (constant exchange)	-	34% ↑	23% ↑

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

- Sanitas Seguros, providing health insurance services;
- Sanitas Hospitales and New Services provision, operating three private hospitals, 19 private medical clinics, two public-private partnerships (PPP) and providing health and wellbeing services through 19 specialist centres;
- Sanitas Dental, providing dental insurance and services through 157 centres (94 owned and 63 franchises) and third-party networks;
- Sanitas Residencial, caring for over 6,700 residents during 2014 in 41 care homes; and
- Cruz Blanca Salud, a leading health provider in Chile with three hospitals, 29 medical clinics and health insurance across Chile, which has recently expanded its provision operations into Peru.

Spain and Latin America Domestic has delivered strong growth with revenue increasing by 30% to £885.0m and customer numbers growing by 62% to 3.6m, mainly driven by the acquisition of Cruz Blanca Salud at the end of February. Underlying profit is up 18%, reflecting the inclusion of Cruz Blanca Salud profits[§]. At constant exchange rates, underlying profit grew 23%.

In Spain, the tough economic climate continued and we restructured key parts of the business. Declining levels of satisfaction with the national health service continue to place pressure on claims costs in the short-term, through higher utilisation and incidence rates. However, in the medium term we hope this will drive increased demand for health insurance across the population. We continue to work hard to manage claims costs by renegotiating contracts with providers and maintaining a focus on prevention.

Activity indicators in hospitals and care homes are performing well, with occupancy rates above 90%, an increase of around 5% versus the same period last year. A new care home was opened in 2014 driving resident growth.

In addition, despite the difficult economic environment, out of pocket revenue in hospitals has continued to grow in 2014. The growth in out of pocket revenues was driven by the expansion of our services, as well as by investments in new technology and services, such as the robotic surgery unit in La Zarzuela Hospital. We continued to broaden our dental provision resulting in growth in revenues and customers.

Health Insurance

In the health insurance business, we have responded to market pressures by maintaining high standards of customer service, with a focus on service in our hospitals, clinics and call centres. We have redefined our product portfolio and made our sales channels more efficient, with a strong emphasis on customer profitability.

[§] We acquired a controlling 56% of Cruz Blanca Salud in February 2014. 100% of Cruz Blanca Salud's revenue and profits are consolidated within the Group results.

Revenues fell, driven by an increase in lapses and a challenging sales environment. We also voluntarily exited a large group contract that was unprofitable.

Hospitals and new services provision
The hospitals and new services businesses delivered growth in revenue and profit as a result of higher activity levels, such as improved occupancy, more outpatient and imaging services and growth in out of pocket revenue. This higher activity was coupled with growth in revenues from populations outside our catchment areas in the PPPs. We opened new private medical clinics in 2013 in strategic locations such as La Coruña in the northwest region of Spain and in Zaragoza in the northeast of Spain. We expanded the existing clinic in Seville. All are performing as we expected.

The new Obstetrics Unit of our CIMA hospital has recently opened in Barcelona. This new unit is fully equipped with three delivery rooms, an operating room for emergency caesarean sections and a 24-hour neonatal ICU. The unit is staffed by an experienced team of gynaecologists and obstetricians, anaesthetists, paediatricians, neonatologists, midwives and nurse specialists.

A new birth centre has also been opened in the Manises Hospital in Valencia. The centre is a state-of-the-art space designed to feel like a home away from home.

The PPPs in Manises and Torrejón have added new services and a new radiotherapy unit in Torrejón which will begin operations in September 2014. These new services attract both the assigned population of the PPP, and people from outside the catchment area. A key component of this strategy has been to ensure we maintain short waiting lists, especially when compared to the rest of the hospitals in the neighbouring regions.

We integrated Clínica Londres, the second largest player in the wellbeing sector. Clínica Londres consolidates our position in the wellbeing market.

Dental
Revenues increased driven by a strong performance from the new dental centres opened in 2012 and 2013. The number of dental centre customers grew by 49% despite the difficult economic environment in Spain.

So far this year, we have opened eight new centres in Pinto (Madrid), Zaragoza, Ceuta, Soria, Zamora, Lugo, Palencia and Arganda del Rey (Madrid). We now have 157 dental centres located throughout Spain.

Demand for dental products unconnected with health insurance policies continued to grow, reaching nearly 95,000 members (43% higher than 2013), due to strengthening of the sales channels.

Care Services
We achieved good growth in revenue and record occupancy rates, driven by a strong focus on private sector sales, offsetting the impact of cuts in public expenditure on social services. Revenue growth also came from the addition of a new private management contract in the Canary Islands in March. We also retained two public management contracts that came up for renewal.

Latin America Domestic
In February 2014, we completed the acquisition of 56% of Cruz Blanca Salud, a strong and successful business in Chile, which has recently expanded its outpatient operations in Peru. Like Sanitas, the company operates in the health insurance, primary care, diagnostics, hospitals and dental markets, providing quality healthcare at affordable prices.

The integration of the business was started in early March and is progressing as planned.

International Development Markets

	Customers	Revenues**	Underlying Profit / (Loss)
HY 2014	8.4m	£250.3m	£(0.3)m
HY 2013	5.3m	£152.6m	£(5.1)m
% growth	60%	64% ↑	94% ↑
% growth (constant exchange)	-	77% ↑	94% ↑

International Development Markets (IDM) is focused on delivering strong near-term performance in existing businesses and contributing to Bupa's international expansion through investing in markets and businesses that offer significant future growth potential. As a Market Unit, IDM comprises:

- Domestic health insurance businesses in Hong Kong, Thailand, India and Saudi Arabia, as well as a representative office in China;
- LUX MED, the largest private healthcare business in Poland; and
- Quality HealthCare, the largest private clinic network in Hong Kong.

In the first half of 2014, IDM delivered a strong performance, with revenue up by 64% to £250.3m, driven by the acquisition of Quality HealthCare in October 2013 and LUX MED in April 2013. This revenue growth was partly offset by the sale of the US operations of Health Dialog in March this year.

We grew customer numbers by 60%, with 18% of that growth coming from the acquisition of Quality HealthCare in Hong Kong. Insurance customers increased by 43%, reflecting strong sales growth in all IDM's insurance businesses, particularly in Bupa Arabia.
The Market Unit made a small underlying loss of £0.3m, a £4.8m improvement over the same period in 2013. This improvement was mainly due to the impact on earnings of acquisitions and the divestment of the US operations of Health Dialog.

Across the Market Unit, our businesses have performed well with strong growth in our Saudi Arabian associate business, Bupa Arabia. Customers grew 55% as a result of corporate account wins. We were also successful in our proposal to provide health insurance to the Saudi Basic Industries Corporation (SABIC). The account is Bupa's largest ever corporate account in terms of revenue and customers and went live on 1 July. Bupa Arabia's offer focused on its digital customer servicing capabilities and its expanding specialist healthcare support services for customers.

In April, Bupa Hong Kong, along with Bupa Global Market Unit, announced a ten year exclusive distribution partnership with Hang Seng Bank, Hong Kong's leading retail bank with 3m customers. Under the partnership, a range of new Bupa medical insurance products and services will be made available to Hang Seng personal and corporate customers in Hong Kong and mainland China. The products will be launched in the second half of 2014, which will help drive sales to Hang Seng's customers.

The partnership with Hang Seng Bank, coupled with the recent acquisition of Quality HealthCare, further strengthens Bupa's market position in Hong Kong. Alongside its well-established health insurance business, Bupa now has an extensive footprint in healthcare provision and a major new distribution channel to potential customers in Hong Kong.

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

In Poland, we integrated LUX MED in terms of processes, policies and governance and supported several local acquisitions and new clinic openings. In December, we acquired the Carolina Medical Centre, a specialist orthopaedic hospital in Warsaw. LUX MED also acquired a number of smaller diagnostic centres in major cities in Poland. These acquisitions enable us to develop our integrated healthcare offering and maintain our market leading position in Poland, one of the few European economies to have seen continued GDP growth throughout the financial crisis.

Health Insurance
Bupa Thailand has seen significant external political upheaval in recent months that had the potential to disrupt the business, its customers and its people. We focused on ensuring the safety of our people in this complex and changing political environment, as well as continuing to deliver a good service to its customers. Bupa Thailand has continued to grow despite the political unrest in the country.

Bupa Hong Kong has experienced highly competitive market conditions, including more aggressive competitor pricing and discounting. Overall, growth has continued, with customers and revenue increasing. Bupa Hong Kong also won the "Yahoo Emotive Brand" award for the overall insurance sector. The award recognises the city's most emotionally appealing brands. Winners are selected by online consumers who vote for the awards out of hundreds of companies in Hong Kong.

Bupa's associate company in Saudi Arabia, Bupa Arabia, had a strong first half of 2014. We won some notable new corporate contracts that drove customer growth. Bupa Arabia has developed a strong brand in Saudi Arabia, built on a focus on customer service and new healthcare support services for its customers undergoing treatment. The business continued to collaborate with Bupa Global Market Unit. Together, these businesses have developed a new health insurance product that includes both domestic and international medical insurance coverage, a first in the market. The product has now received initial approval from the regulator and is due to be launched later in 2014.

In India, Max Bupa, our joint venture with partner Max India, delivered good growth in revenue, increasing customers by 49% to over 831,000. The business also improved its loss ratio by strengthening its underwriting capabilities and claims management processes. Max Bupa launched four new products in 2014, including a new consumer proposition that includes international medical evacuation, copayment options and loyalty bonuses, many of which are firsts in the Indian health insurance market.

Subscription and Provision
LUX MED continued to perform in line with its original investment case. Since acquisition, the main part of the business, medical subscriptions, saw high single digit customer growth as well as a double digit increase in revenue. This growth was driven by the opening of new clinics in medium-sized cities in Poland. To support its wider integrated healthcare offering, in addition to the acquisition of the Carolina orthopaedic hospital and a number of new diagnostic centres in 2013, LUX MED launched a new specialist dental clinic in Wroclaw, one of the biggest cities in Poland. The clinic is a pilot and LUX MED's first stand-alone dental centre. We will follow-up this pilot with new dental centre openings in Warsaw in the second half of 2014.

In Hong Kong, Quality HealthCare performed in line with our expectations. There was continued focus on Quality HealthCare's integration into the wider Bupa business, including bringing processes and policies in line with Bupa's own. A new cancer screening programme was launched in April, designed by a panel of specialist oncologists to better support our doctors in identifying the most common cancers in Hong Kong. Quality HealthCare also received the Reader's Digest "Trusted Brand Award" for the fourth year in a row. We significantly outscored our competitors in the health check-up category in an independent survey of over 5,000 consumers in Hong Kong.

Health Analytics

In March, Bupa completed the sale of our US operations of Health Dialog to Rite Aid, the third largest US pharmacy chain. We believe the long-term future of Health Dialog and its people are better assured with Rite-Aid.

Bupa Global

	Customers	Revenues	Underlying Profit / (Loss)
HY 2014	1.9m	£487.0m	£37.4m
HY 2013	0.7m	£464.8m	£51.0m
% growth	156%	5% ↑	27% ↓
% growth (constant exchange)	-	11% ↑	23% ↓

The Bupa Global Market Unit provides products and services worldwide to people who require healthcare at home or as they study, live, travel or work abroad. The Market Unit provides international health insurance, travel insurance and medical assistance to individuals, small businesses and global corporate customers in over 190 countries.

The Market Unit grew revenue to £487.0m, up 5%, and delivered customer growth of 156%. Excluding our investment in Highway to Health, Inc. (HTH), customers grew 22%. However underlying profit was down 27%, due to higher claims costs on several corporate accounts in specific regions, a subsequent strengthening of our claims provision, and investment in transformation, including creation of regional operations.

Bupa Global operates across multiple regions and economies, however there are common themes and trends that influence demand for our products and services. There are over 232m international migrants around the world today[††] and an increasing trend of global mobility. This trend is driven by a number of factors, for example, work assignments abroad are expected to double over this decade[‡‡].

The Market Unit delivered customer growth in all segments, with individual, small businesses and corporate customer numbers adding to the existing customer base. Our investment in HTH in December last year added a further 1m customers, driving overall customer growth of 156%. There was continued good performance in key markets, particularly the United Arab Emirates and Hong Kong. Individual customer retention rates also remain strong, having improved year-on-year.

However several key accounts experienced higher claims costs and incidence, resulting in a decline in underlying profit. These key accounts have been thoroughly reviewed, re-priced and in some cases, discontinued.

A number of new partnerships were announced during the year, which will support future growth and development for the Market Unit. The two most significant are with the Blue Cross Blue Shield system in the US and Hang Seng Bank in Hong Kong.

As a consequence of our investment in HTH last year, we began a global strategic partnership with the Blue Cross Blue Shield Association, an association of 37 independent local Blue Cross and Blue Shield Plans which collectively constitute America’s largest health insurance group. Fourteen Blue Cross and Blue Shield companies also are shareholders in HTH.

As a result of the partnership, Bupa members in all but a few countries worldwide will benefit by accessing the Blue Cross and Blue Shield network of over 5,700 hospitals and 800,000 providers when travelling or working in the US; and Blue Cross and Blue Shield members in

[††] United Nations Department of Economic and Social Affairs Population Division September 2013
[‡‡] PricewaterhouseCoopers’ Talent Mobility 2020 report spanning 2010 to 2020

GeoBlue, a product offered to Americans leaving the US to study, work or live abroad, will benefit from an expanded international network.

In April, an exclusive ten year bancassurance arrangement with Hang Seng Bank was announced. The agreement was a result of collaboration with Bupa Hong Kong to provide a range of bespoke domestic and international health insurance products that will be available to Hang Seng's personal and corporate customers in Hong Kong and mainland China. The partnership is a new route to market that will support Bupa's future growth in that region.

Another example of a successful collaboration with our domestic businesses is in Saudi Arabia and follows our work in 2013 with Bupa Arabia to win the Saudi Arabia Ministry of Foreign Affairs contract to cover both domestic employees and those stationed abroad. This approach means we can offer customers access to a wider range of options for quality healthcare, wherever they are in the world. In addition, in partnership with Bupa Australia, we launched a "Moving Overseas" campaign in May, leveraging our existing reputation in that market to promote international health cover for Australians moving abroad.

As part of our product development strategy, over the last year we engaged with more than 3,000 individuals in six countries to gather customer insight for development of new products. In the second half of 2014 we will launch a range of new products in four priority markets including Hong Kong. The products will offer customers a greater range of options tiered on coverage, price and service, and put the business in a sustainable position for future growth.

We completed a global brand migration so that our new trading name, Bupa Global, is used for all customer literature and contact. This name change better reflects the Market Unit's customer base, product range and services, and it will also allow for a more consistent customer experience globally.

To better serve our customers in language, culture and time zone, we are regionalising our operations. Along with Bupa Global North America (BGNA) and Bupa Global Latin America (BGLA), this year the Market Unit established its third region – Bupa Global Greater China (BGGC). BGGC is headquartered in Hong Kong and is responsible for the Market Unit's commercial operations in China, Taiwan, Hong Kong and Macau. BGLA opened two new offices in Miami and Guatemala which will improve our sales and support capabilities in the region.

Following investment in digital capabilities in both sales and marketing, we launched new digital campaigns in a number of key markets such as Egypt and Hong Kong. Strong relationships with our brokers are an important part of our operations. Our online broker training portal, the Bupa Academy, became the first and only training programme to be accredited by the Chartered Insurance Institute, and is used by over 500 brokers in 42 countries.

The continued integration of our global provider networks gives customers seamless access to all quality providers – both hospitals and healthcare professionals – around the world. We will continue to extend our strategic partnerships and look for further opportunities to collaborate with sister companies in Bupa, making "global" a source of competitive advantage for Bupa.

FINANCIAL REVIEW

Summary of results

The Group's statutory profit before taxation was £266.6m (HY 2013: £218.0m), with underlying profit before taxation of £259.8m (HY 2013: £258.9m).

Six months ended 30 June	**2014 £m**	2013 £m
Total Revenues	**4,770.9**	4,464.8
Underlying profit before taxation	**259.8**	258.9
Non-underlying items	**6.8**	(40.9)
Profit before taxation	**266.6**	218.0
Taxation	**(54.1)**	(47.9)
Profit for the period	**212.5**	**170.1**

Underlying profit was stable despite an increase in trading performance, due to the strengthening of sterling against our major trading currencies. At constant exchange rates, underlying profit grew 12%. Statutory profit before taxation increased by 22%.

Non-underlying profit items

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

Six months ended 30 June	**2014 £m**	2013 £m
Amortisation of intangible assets	**(27.1)**	(16.9)
Restructuring costs	**(1.0)**	(4.3)
Transaction costs on acquisitions and disposals	**(4.2)**	(18.0)
Realised and unrealised foreign exchange gains	**7.2**	6.9
Net property revaluation gains	**4.3**	4.3
Net loss on disposal of fixed assets	**(0.4)**	(0.5)
Net profit on disposal of business	**11.1**	-
Gains/ (losses) on return seeking assets, net of hedging	**12.7**	(7.2)
Other	**4.2**	(5.2)
Total non-underlying profit items	**6.8**	**(40.9)**

Our continued international expansion has driven changes in non-underlying items including the increase in amortisation of intangible assets largely due to our acquisitions of LUX MED and Quality HealthCare. Transaction costs have been incurred in 2014 relating to the purchase of Cruz Blanca Salud.

In April 2014, we sold our investment in the US operations of Health Dialog to Rite Aid, the third largest US pharmacy chain, which generated a profit on sale of business of £11.1m.

Financial income and expense

Net financial expense for the 6 months to June was £12.5m compared to an income of £7.3m in 2013. The decrease of £19.8m is mainly due to increased costs of borrowings taken out to fund acquisitions and the fall in interest rates in Australia. This was offset by the higher gains on our return seeking asset portfolio of £12.7m.

Taxation

Our effective tax rate for the period was 20.3% (FY 2013: 20.0%), which is lower than the UK corporation tax rate of 21% because of tax savings recognised in the period offset by the proportion of the Group's profits arising in jurisdictions with a higher rate of corporate income tax.

Balance Sheet, funding and solvency

As a result of our international expansion and to ensure adequate funding, we issued a 7 year sterling senior bond with a 3.375% coupon in June against a strong market backdrop. The success of the transaction reflects investor confidence in Bupa's strategy and prudently managed finances. The bond generated £350m of senior funding, which has served to repay Bupa's committed acquisition facility that had been drawn down following the most recent acquisitions. At the half year, our leverage stood at 31.5% (FY 2013: 28.9%).

Our principal debt ratings relate to senior debt issued by Bupa Finance plc as it is Bupa's main holding and financing company. There have been no changes to our ratings during the period; Bupa Finance plc is currently rated A- (stable) and Baa2 (stable) by Fitch and Moody's respectively.

We hold cash and other financial assets principally to meet the liabilities and solvency requirements of our regulated insurance entities. Cash and other financial investments as at 30 June 2014 totalled £3,463.0m (FY 2013: £3,001.1m). The portfolio remains conservative with the large proportion being invested in highly rated bank deposits and liquidity funds. During the first half of 2014, we increased our exposure to bonds marginally by investing AUD150m in a diversified investment grade credit fund in Australia.

The total investment portfolio, including return-seeking assets, produced an average return of 2.41% in the period (HY 2013: 1.6%). Security of the overall portfolio remains a key priority and we will continue to invest prudently. Even with the continued pressure on credit ratings, 86% of Bupa's portfolio is held in counterparties rated A-/A3.

We monitor Bupa's solvency on an ongoing basis and continued to maintain a strong solvency headroom in the first half of 2014. At 30 June 2014, the IGD surplus was £1.5bn (FY 2013: £1.7bn), representing a solvency coverage ratio of 286% (FY 2013: 309%).

The reduction in IGD surplus is primarily due to the impact of the acquisitions as goodwill and intangible assets arising on acquisitions are inadmissible for regulatory capital purposes.

Cash flow

Six months ended 30 June	**2014 £m**	2013 £m
Net cash from operating activities	**542.9**	238.1
Net cash used in investing activities	**(405.1)**	(295.9)
- Acquisition of subsidiaries, net of cash acquired	**(187.4)**	(495.9)
- Purchase of fixed assets	**(136.1)**	(115.8)
- Financial investments and deposits with credit institutions	**(99.6)**	291.4
- Other	**18.0**	24.4
Net cash generated from financing activities	**178.0**	158.9
Net increase in cash and cash equivalents	**315.8**	**101.1**

Our operating cash flows of £542.9m are up 128% compared to June 2013. 2013 cash flows were suppressed following changes to Australian government legislation which resulted in a significant proportion of customers paying their insurance premiums in advance in 2012.

We have also seen improvement in our cash collection, particularly from local government and the public sector across our Market Units.

Cash used in investing activities is up £109.2m on June 2013. Cash spent on acquisitions was £187.4m (£495.9m in 2013) and capital expenditure spend was marginally higher at £136.1m (£115.8m in 2013). The other key variable relates to the significantly higher liquidation of financial investments in 2013 to fund acquisitions.

Cash from financing activities was £178.0m (£158.9m in 2013). In June we successfully raised £350m of funds through a senior unsecured bond issue, which has been used to repay our existing acquisition financing facility and reduce drawings under existing bank loans. We have also repaid an existing debenture loan within the UK of £50m.

We have generated strong cash flows in the period to June 2014 and this continues to be a key area of focus for our business.

Business risks and uncertainties

The principal risks and uncertainties faced by the Group are set out in the Risks and Uncertainties section of the Bupa Annual Report and Accounts 2013.

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

Economic conditions may impact the Group's trading performance in Bupa's insurance and care services businesses, reducing demand for insurance and constraining public support for healthcare services. In many markets in which Bupa operates, the decisions of governments and regulators on issues such as tax relief and the pricing and regulation of health insurance, as well as care services fees and referrals continue to present a risk to some Bupa businesses. To mitigate this risk, our businesses continue to develop differentiated products and services, focus on customer retention and continue to control costs carefully.

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

In recent times the regulatory focus applied to Bupa and other companies operating within the same markets, has been increasing.

The British United Provident Association Limited

Condensed consolidated half year financial statements (unaudited)

Six months ended 30 June 2014

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2014

	Notes	**For six months ended 30 June 2014 £m**	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Revenues				
Gross insurance premiums		**3,466.2**	3,491.6	6,895.8
Premiums ceded to reinsurers		**(19.5)**	(18.6)	(37.1)
Net insurance premiums earned		**3,446.7**	3,473.0	6,858.7
Revenues from insurance service contracts		**18.2**	5.9	13.5
Care, health and other revenues		**1,306.0**	985.9	2,186.5
Total revenues	2	**4,770.9**	4,464.8	9,058.7
Claims and expenses				
Insurance claims incurred		**(2,689.1)**	(2,738.6)	(5,312.1)
Reinsurers' share of claims incurred		**13.7**	12.4	27.7
Net insurance claims incurred		**(2,675.4)**	(2,726.2)	(5,284.4)
Share of post-taxation results of equity accounted investments		**0.3**	(1.5)	5.0
Other operating expenses		**(1,827.6)**	(1,526.6)	(3,218.4)
Impairment of goodwill		-	-	(20.7)
Impairment of intangible assets arising on business combinations		-	-	(12.8)
Other income and charges	3	**10.9**	0.2	(7.1)
Total claims and expenses		**(4,491.8)**	(4,254.1)	(8,538.4)
Profit before financial income and expenses		**279.1**	210.7	520.3
Financial income and expenses				
Financial income	4	**44.2**	45.4	82.1
Financial expenses	5	**(56.7)**	(38.1)	(88.0)
		(12.5)	7.3	(5.9)
Profit before taxation expense		**266.6**	218.0	514.4
Taxation expense	6	**(54.1)**	(47.9)	(103.0)
Profit for the financial period		**212.5**	170.1	411.4
Attributable to:				
Bupa		**206.5**	169.2	405.6
Non-controlling interests		**6.0**	0.9	5.8
Profit for the financial period		**212.5**	170.1	411.4

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30 June 2014

	For six months ended 30 June 2014 £m	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Profit for the financial period	**212.5**	170.1	411.4
Other comprehensive income / (expense)			
Items that will not be reclassified to the income statement			
Actuarial gains / (losses) on pension schemes	**7.6**	(13.5)	(10.3)
Taxation on actuarial (loss) / gain on pension schemes	**(1.5)**	2.8	(0.1)
Recycling of revaluation reserve and foreign exchange reserve upon disposal of subsidiary	**(6.5)**	-	-
Unrealised (loss) / gain on revaluation of property	**-**	(0.1)	94.3
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences on goodwill	**16.3**	(111.2)	(257.7)
Other foreign exchange translation differences	**(11.3)**	(24.4)	(152.9)
Net (losses) / gains on hedge of net investment in overseas subsidiary companies	**-**	(14.4)	0.1
Cash flow hedge on acquisition of subsidiary companies	**(1.4)**	4.0	(1.0)
Change in fair value of underlying derivative of cash flow hedge	**(1.6)**	0.9	1.2
Taxation credit / (expense) on income and expenses recognised directly in other comprehensive income	**4.0**	0.3	(22.3)
Other comprehensive income / (expense) for the period, net of taxation	**5.6**	(155.6)	(348.7)
Total comprehensive income for the period	**218.1**	14.5	62.7
Attributable to:			
Bupa	**213.9**	12.5	56.6
Non-controlling interests	**4.2**	2.0	6.1
Total comprehensive income for the period	**218.1**	14.5	62.7

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2014

	Notes	**At 30 June 2014 £m**	At 30 June 2013 £m	At 31 December 2013 (Restated)[1] £m
Non-current assets				
Intangible assets[1]	9	**3,152.7**	2,739.0	2,782.7
Property, plant and equipment	10	**2,849.3**	2,500.7	2,697.1
Investment property		**217.7**	170.8	184.2
Equity accounted investments[1]		**197.2**	40.9	232.6
Assets classified as held for sale[2]		**38.5**	-	-
Financial investments	14	**872.2**	634.2	755.5
Derivative assets		**49.6**	65.8	50.0
Assets arising from insurance business	7	**0.3**	0.3	0.6
Deferred taxation asset		**0.9**	2.6	0.9
Trade and other receivables		**127.0**	136.7	134.9
Restricted assets	8	**39.4**	44.1	39.3
Post employment benefit net assets	12	**139.5**	92.2	130.5
		7,684.3	6,427.3	7,008.3
Current assets				
Financial investments	14	**1,349.6**	1,322.0	1,305.8
Derivative assets		**7.1**	0.6	12.9
Inventories		**52.9**	25.8	52.8
Assets arising from insurance business	7	**1,420.4**	1,461.6	942.6
Trade and other receivables		**550.0**	535.3	505.5
Restricted assets	8	**13.6**	8.8	13.4
Cash and cash equivalents	8	**1,241.2**	1,367.2	939.8
		4,634.8	4,721.3	3,772.8
Total assets		**12,319.1**	11,148.6	10,781.1
Non-current liabilities				
Subordinated liabilities	15	**(907.0)**	(925.0)	(907.4)
Other interest bearing liabilities	16	**(1,384.6)**	(618.2)	(766.4)
Derivative liabilities		**(70.1)**	(4.0)	(3.6)
Provisions under insurance contracts issued	11	**(23.8)**	(26.4)	(24.4)
Post employment benefit net liabilities	12	**(59.6)**	(63.5)	(58.0)
Provisions for liabilities and charges		**(31.8)**	(26.4)	(31.1)
Deferred taxation liabilities[1]		**(236.7)**	(175.9)	(213.3)
Other payables		**(16.9)**	(20.1)	(17.9)
		(2,730.5)	(1,859.5)	(2,022.1)
Current liabilities				
Subordinated liabilities	15	**(19.9)**	(20.2)	(9.9)
Other interest bearing liabilities	16	**(50.3)**	(81.8)	(298.8)
Derivative liabilities		**(1.8)**	(5.6)	(1.2)
Provisions under insurance contracts issued	11	**(2,852.2)**	(2,958.7)	(2,171.6)
Other liabilities under insurance contracts issued		**(41.8)**	(42.9)	(17.2)
Provisions for liabilities and charges		**(135.5)**	(119.8)	(119.4)
Current taxation liabilities		**(110.8)**	(171.2)	(157.8)
Trade and other payables		**(1,239.5)**	(1,056.7)	(1,112.3)
		(4,451.8)	(4,456.9)	(3,888.2)
Total liabilities		**(7,182.3)**	(6,316.4)	(5,910.3)
Net assets		**5,136.8**	4,832.2	4,870.8
Equity				
Property revaluation reserve		**(704.1)**	(632.0)	(700.2)
Income and expenditure reserve		**(4,145.6)**	(3,703.4)	(3,940.6)
Cash flow hedge reserve		**(22.0)**	(29.7)	(25.0)
Foreign exchange translation reserve		**(190.8)**	(439.4)	(182.8)
Equity attributable to Bupa		**(5,062.5)**	(4,804.5)	(4,848.6)
Equity attributable to non-controlling interests		**(74.3)**	(27.7)	(22.2)
Total equity		**(5,136.8)**	(4,832.2)	(4,870.8)

[1] See Basis of Preparation Note 1.1

[2] See Basis of Preparation Note 1.6

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30 June 2014

	Notes	**For six months ended 30 June 2014 £m**	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Operating activities				
Profit before taxation expense		**266.6**	218.0	514.4
Adjustments for:				
Net financial expense / (income)		**12.5**	(7.3)	5.9
Depreciation, amortisation and impairment		**129.8**	104.4	259.6
Other non-cash items		**(24.7)**	13.1	18.6
Changes in working capital and provisions:				
Increase / (Decrease) in provisions and other liabilities under insurance contracts issued		**705.0**	632.5	(84.2)
Increase in assets under insurance business		**(501.5)**	(578.9)	(93.1)
Change in net pension asset / liability		**0.3**	0.3	(40.7)
Increase in trade and other receivables, and other assets		**(7.6)**	(111.1)	(92.7)
Increase in trade and other payables, and other liabilities		**53.4**	5.9	95.1
Cash generated from operations		**633.8**	276.9	582.9
Income taxation paid		**(90.3)**	(38.6)	(115.3)
Increase in cash held in restricted assets		**(0.6)**	(0.2)	-
Net cash generated from operating activities		**542.9**	238.1	467.6
Cash flows from investing activities				
Acquisition of subsidiary companies, net of cash acquired		**(187.4)**	(495.9)	(808.7)
Acquisition of equity accounted investments		**(0.6)**	(2.1)	(168.4)
Dividends received from associates		**-**	1.8	1.8
Disposal of subsidiary and equity accounted investments, net of cash disposed of		**(3.7)**	-	0.5
Purchase of intangible assets		**(33.5)**	(25.4)	(68.9)
Purchase of property, plant and equipment		**(85.7)**	(84.1)	(241.8)
Proceeds from sale of property, plant and equipment		**2.3**	0.7	1.2
Purchase of investment property		**(19.2)**	(7.0)	(20.2)
Net (purchase of) / proceeds from financial investments, excluding deposits with credit institutions		**(34.5)**	6.6	(29.8)
Net (investment into) / withdrawal from deposits with credit institutions		**(65.1)**	284.8	88.1
Interest received		**22.3**	24.7	79.0
Net cash used in investing activities		**(405.1)**	(295.9)	(1,167.2)
Cash flow from financing activities				
Proceeds from issue of interest bearing liabilities and drawdowns on other borrowings		**619.8**	493.5	868.5
Repayment of interest bearing liabilities		**(405.1)**	(290.7)	(334.5)
Interest paid		**(50.7)**	(32.1)	(81.4)
Receipts / (payments) from hedging instruments		**16.9**	(11.6)	(11.7)
Dividends paid to non-controlling interests		**(2.9)**	(0.2)	(8.9)
Net cash generated from financing activities		**178.0**	158.9	432.0
Net increase in cash and cash equivalents		**315.8**	101.1	(267.6)
Cash and cash equivalents at beginning of period		**939.7**	1,253.4	1,253.4
Effect of exchange rate changes		**(15.2)**	4.7	(46.1)
Cash and cash equivalents at end of period	8	**1,240.3**	1,359.2	939.7

BUPA

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2014

	Property revaluation reserve £m	Income and expenditure reserve[1] £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Non-controlling interests £m	Total equity £m
For the six months ended 30 June 2014							
At beginning of period	700.2	3,940.6	25.0	182.8	4,848.6	22.2	4,870.8
Retained profit for the period	-	206.5	-	-	206.5	6.0	212.5
Other comprehensive income / (expense)							
Actuarial gains on pension schemes	-	7.6	-	-	7.6	-	7.6
Foreign exchange translation differences on goodwill	-	-	-	16.3	16.3		16.3
Other foreign exchange translation differences	(0.1)	(2.0)	-	(7.4)	(9.5)	(1.8)	(11.3)
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.4)	-	(1.4)	-	(1.4)
Change in fair value of underlying derivative of cash flow hedge	-	-	(1.6)	-	(1.6)	-	(1.6)
Taxation credit / (expense) on income and expense recognised directly in other comprehensive income	4.0	(1.5)	-	-	2.5	-	2.5
Disposal of subsidiary	-	(5.6)	-	(0.9)	(6.5)	-	(6.5)
Other comprehensive income / (expense) for the period, net of taxation	**3.9**	**(1.5)**	**(3.0)**	**8.0**	**7.4**	**(1.8)**	**5.6**
Total comprehensive income for the period	**3.9**	**205.0**	**(3.0)**	**8.0**	**213.9**	**4.2**	**218.1**
Acquisitions of subsidiary companies attributable to non-controlling interest							
Acquisition of subisidiary companies attributable to non-controlling interest	-	-	-	-	-	50.8	50.8
Dividends paid to non-controlling interests	-	-	-	-	-	(2.9)	(2.9)
At end of period	**704.1**	**4,145.6**	**22.0**	**190.8**	**5,062.5**	**74.3**	**5,136.8**
For the six months ended 30 June 2013							
At beginning of period	631.9	3,544.9	25.1	590.1	4,792.0	25.9	4,817.9
Retained profit for the period	-	169.2	-	-	169.2	0.9	170.1
Other comprehensive income / (expense)							
Unrealised loss on revaluation of property	(0.1)	-	-	-	(0.1)	-	(0.1)
Actuarial losses on pension schemes	-	(13.5)	-	-	(13.5)	-	(13.5)
Foreign exchange translation differences on goodwill				(111.2)	(111.2)		(111.2)
Other foreign exchange translation differences	0.2	-	-	(25.7)	(25.5)	1.1	(24.4)
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(14.4)	(14.4)	-	(14.4)
Cash flow hedge on acquisition of subsidiary companies	-	-	4.0	-	4.0	-	4.0
Change in fair value of underlying derivative of cash flow hedge	-	-	0.9	-	0.9	-	0.9
Taxation credit / (expense) on income and expense recognised directly in other comprehensive income	-	2.8	(0.3)	0.6	3.1	-	3.1
Other comprehensive income / (expense) for the period, net of taxation	**0.1**	**(10.7)**	**4.6**	**(150.7)**	**(156.7)**	**1.1**	**(155.6)**
Total comprehensive income / (expense) for the period	**0.1**	**158.5**	**4.6**	**(150.7)**	**12.5**	**2.0**	**14.5**
Acquisitions of subsidiary companies attributable to non-controlling interest							
Dividends paid to non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
At end of period	**632.0**	**3,703.4**	**29.7**	**439.4**	**4,804.5**	**27.7**	**4,832.2**
For the year ended 31 December 2013							
At beginning of period	631.9	3,544.9	25.1	590.1	4,792.0	25.9	4,817.9
Retained profit for the period	-	405.6	-	-	405.6	5.8	411.4
Other comprehensive income / (expense)							
Unrealised profit on revaluation of property	94.3	-	-	-	94.3	-	94.3
Realised profit on disposal of property	(0.5)	0.5	-	-	-	-	-
Actuarial losses on pension schemes	-	(10.3)	-	-	(10.3)	-	(10.3)
Foreign exchange translation differences on goodwill	-	-	-	(257.7)	(257.7)	-	(257.7)
Other foreign exchange translation differences	(4.0)	-	-	(149.2)	(153.2)	0.3	(152.9)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	0.1	0.1	-	0.1
Cash flow hedge on acquisition of subsidiary companies	-	-	(1.0)	-	(1.0)	-	(1.0)
Change in fair value of underlying derivative of cash flow hedge	-	-	1.2	-	1.2	-	1.2
Taxation expense on income and expense recognised directly in other comprehensive income	(21.5)	(0.1)	(0.3)	(0.5)	(22.4)	-	(22.4)
Other comprehensive income / (expense) for the period, net of taxation	**68.3**	**(9.9)**	**(0.1)**	**(407.3)**	**(349.0)**	**0.3**	**(348.7)**
Total comprehensive income / (expense) for the period	**68.3**	**395.7**	**(0.1)**	**(407.3)**	**56.6**	**6.1**	**62.7**
Acquisitions of subsidiary companies attributable to non-controlling interest							
Acquisitions of subsidiary companies attributable to non-controlling interest[1]	-	-	-	-	-	(0.9)	(0.9)
Dividends paid to non-controlling interests	-	-	-	-	-	(8.9)	(8.9)
At end of period	**700.2**	**3,940.6**	**25.0**	**182.8**	**4,848.6**	**22.2**	**4,870.8**

[1] In accordance with IAS1, transactions relating to acquisitions totalling £0.9m loss have been removed from other comprehensive income and included within equity

1 Financial information and basis of preparation

1.1 Basis of preparation

The British United Provident Association ('Bupa' or the 'Company'), is a company incorporated in England and Wales. The condensed consolidated half year financial statements of the Company as at and for the six months ended 30 June 2014 comprise those of the Company and its subsidiary companies (together referred to as the 'Group').

These condensed consolidated half year financial statements were approved by a duly appointed and authorised committee of the Board of Directors of Bupa on 5 August 2014.

These condensed consolidated half year financial statements have been prepared in accordance with Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union (EU) and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the International Financial Reporting Standards as adapted by the EU ('IFRS').

The financial information contained in these interim results does not constitute statutory accounts of Bupa within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for Bupa for the year ended 31 December 2013 have been delivered to the Registrar of Companies. The auditors have reported on the accounts, their report was unqualified and did not constitute a statement under Section 498 (2) or (3) of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2013 and the financial period ended 30 June 2013 are consistent with the Group's annual financial statements and half year financial statements respectively, except for the following restatements:

Restatement of 31 December 2013 financial information

The acquisition balance sheets for Dental Corporation and Quality HealthCare have been restated following fair value accounting adjustments applied within 12 months of the respective dates of acquisition. The Group net assets have not changed as a result.

Additional disclosure as at 30 June 2014

For the half year 2014, following an update to IAS 34: Interim Financial Reporting, there are additional disclosure requirements in relation to parts of IFRS 7: Financial Instruments and IFRS 13: Fair Value Measurement.

This does not result in any changes to the Group's net assets. The interim statement includes an additional disclosure of the fair value by each investment type and the categorisation of Financial Instruments into the three level hierarchy (Note 14).

1.2 Going concern

The directors conducted a detailed assessment on the Group's going concern status based on its current position and forecast results. They have concluded that the Group has adequate resources to operate for the foreseeable future. In making this assessment, the directors have considered the discussions with its relationship banks as well as forecasts which take account of reasonably possible changes in trading performance, the successful senior debt issue in June 2014, and recently completed acquisitions.

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in pages 3 to 18. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 19 to 22.

Drawings and outstanding letters of credit under the Group's £800m committed bank facility, which was renegotiated in October 2012 and matures on October 2017, totalled £301.4m at 30 June 2014.

1.3 Accounting estimates and judgements

The preparation of the condensed consolidated half year financial statements requires the use of certain accounting estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

1.4 Accounting policies

The accounting policies applied in the condensed consolidated half year financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2013.

1.5 Foreign Exchange

The following significant exchange rates applied during the year

	Average Rate			Closing Rate		
	At 30 June 2014	At 30 June 2013	At 31 December 2013	**At 30 June 2014**	At 30 June 2013	At 31 December 2013
Australian Dollar	1.8250	1.5230	1.6228	1.8148	1.6640	1.8557
Euro	1.2776	1.1752	1.1775	1.2492	1.1680	1.2014
US Dollar	1.6688	1.5440	1.5647	1.7102	1.5186	1.6566

1.6 Assets classified as held for sale

The Group's equity accounted investment Dental Corporation Canada (£38.5m) is presented as held for sale as at 30 June 2014.
There were no assets or liabilities classified as held for sale as at 30 June 2013 or 31 December 2013.

2 Operating segments

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

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

Segmental information

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

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

2 Operating segments (continued)

Segmental information (continued)

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	Bupa Global £m	Total £m
For the six months ended 30 June 2013						
(i) Revenues						
Total revenues for reportable segments	1,910.5	1,257.1	681.7	153.0	464.8	4,467.1
Inter segment income	-	(1.8)	-	(0.4)	-	(2.2)
External revenues for reportable segments	1,910.5	1,255.3	681.7	152.6	464.8	4,464.9
Net reclassifications to other expenses or financial income and expense						(0.1)
Consolidated total revenues						**4,464.8**
(ii) Segment result						
Underlying profit for reportable segments [1]	115.9	59.2	46.0	(5.1)	51.0	267.0
Central expense and net interest margin						(8.1)
Consolidated underlying profit before taxation						**258.9**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(8.4)	(1.3)	(1.1)	(3.6)	(2.5)	(16.9)
Restructuring costs	-	(2.6)	(0.8)	(0.8)	(0.1)	(4.3)
Transaction costs on acquisitions	(11.1)	(0.9)	(1.0)	(4.8)	(0.2)	(18.0)
Realised and unrealised foreign exchange (losses) / gains	-	(0.2)	0.2	0.4	6.5	6.9
Net property revaluation gain	4.3	-	-	-	-	4.3
Net (losses) / gains on disposal of fixed assets	-	(0.6)	-	0.1	-	(0.5)
Losses on return seeking assets, net of hedging						(7.2)
Other[2]						(5.2)
						(40.9)
Consolidated profit before taxation expense						**218.0**

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

	Australia and New Zealand £m	UK £m	Spain and Latin America Domestic £m	International Development Markets £m	Bupa Global £m	Total £m
For the year ended 31 December 2013						
(i) Revenues						
Total revenues for reportable segments	3,791.8	2,575.3	1,363.5	378.1	953.0	9,061.7
Inter segment income	-	(1.8)	-	(0.8)	-	(2.6)
External revenues for reportable segments	3,791.8	2,573.5	1,363.5	377.3	953.0	9,059.1
Net reclassifications to other expenses or financial income and expense						(0.4)
Consolidated total revenues						**9,058.7**
(ii) Segment result						
Underlying profit for reportable segments [1]	284.1	139.5	126.5	5.9	114.0	670.0
Central expense and net interest margin						(31.5)
Consolidated underlying profit before taxation						**638.5**
Non-underlying items:						
Amortisation of intangible assets arising on business combinations	(15.8)	(4.0)	(2.1)	(10.4)	(5.0)	(37.3)
Impairment of intangible assets arising on business combinations	-	(20.7)	-	-	-	(20.7)
Impairment of goodwill arising on business combinations	-	(12.1)	(0.7)	-	-	(12.8)
Restructuring costs	-	(17.9)	-	(0.8)	(3.0)	(21.7)
Transaction costs on acquistions	(11.4)	(2.2)	(1.7)	(11.9)	(1.4)	(28.6)
Realised and unrealised foreign exchange (losses) / gains	-	(0.1)	-	(0.2)	(11.6)	(11.9)
Net property revaluation gain / (losses)	7.9	(3.6)	2.1	-	-	6.4
Net losses on disposal of fixed assets	(1.4)	(0.1)	(0.3)	(0.1)	(0.1)	(2.0)
Gain on sale of equity accounted investment	-	-	-	0.5	-	0.5
Other[2]						4.0
						(124.1)
Consolidated profit before taxation expense						**514.4**

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

3 Other income and charges

	For six months ended 30 June 2014 £m	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Net gain on sale of business	**11.1**	-	0.5
Deficit on revaluation of property	**-**	-	(5.3)
Net (loss) / gain on disposal of property, plant and equipment	**(0.2)**	0.2	(2.3)
Total other income and (charges)	**10.9**	0.2	(7.1)

4 Financial income

	For six months ended 30 June 2014 £m	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Interest income:			
Loans and receivables	**23.4**	38.2	64.1
Investments held to maturity	**1.0**	1.1	1.9
Investments designated at fair value through profit or loss	**1.9**	1.4	2.5
Net realised gains on financial investments designated at fair value through profit or loss	**6.7**	3.2	3.2
Net increase / (decrease) in fair value:			
Investments designated at fair value through profit or loss	**8.8**	(14.2)	(5.3)
Investment property	**4.3**	4.3	11.7
Net foreign exchange (losses) / gain	**(1.9)**	11.4	4.0
Total financial income	**44.2**	45.4	82.1

Included within financial income is a net gain after hedging on the Group's return seeking asset portfolio of £12.7m (HY 2013: net loss of £7.2m; FY 2013: £nil).

5 Financial expense

	For six months ended 30 June 2014 £m	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Interest expense on financial liabilities at amortised cost	**54.6**	36.9	85.3
Finance charges in respect of finance leases	**0.6**	0.1	0.5
Other financial expenses	**1.5**	1.1	2.2
Total financial expense	**56.7**	38.1	88.0

6 Taxation expense

The Group's effective tax rate for the period was 20.3% (FY 2013: 20.0%), which is lower than the UK corporation tax rate of 21% because of tax savings recognised in the period offset by the proportion of the Group's profits arising in jurisdictions with a higher rate of corporate income tax. The Group's effective rate for the period of 20.3% is in line with the 2013 full year effective tax rate of 20.0%.

7 Assets arising from insurance business

	For six months ended 30 June 2014 £m	For six months ended 30 June 2013 £m	For year ended 31 December 2013 £m
Non-current			
Deferred acquisition costs	**0.3**	0.3	0.6
Total non-current assets arising from insurance business	**0.3**	0.3	0.6
Current			
Insurance debtors	**1,233.1**	1,263.7	759.9
Deferred acquisition costs	**95.7**	93.3	73.2
Medicare rebate	**71.8**	70.9	74.8
Risk Equalisation Trust Fund recoveries	**14.9**	9.8	20.0
Reinsurers' share of insurance provisions	**4.9**	23.9	14.7
Total current assets arising from insurance business	**1,420.4**	1,461.6	942.6
Total assets arising from insurance business	**1,420.7**	1,461.9	943.2

8 Cash and cash equivalents and restricted assets

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Cash at bank and in hand	**729.7**	500.6	561.8
Short-term deposits	**511.5**	866.6	378.0
Cash and cash equivalents	**1,241.2**	1,367.2	939.8
Bank overdrafts	**(0.9)**	(8.0)	(0.1)
Cash and cash equivalents in the statement of cash flows	**1,240.3**	1,359.2	939.7
Non-current restricted assets	**39.4**	44.1	39.3
Current restricted assets	**13.6**	8.8	13.4
Total restricted assets	**53.0**	52.9	52.7

9 Intangible assets

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 (Restated)[1] £m
Net book value at beginning of period	**2,782.7**	2,146.1	2,146.1
Assets arising on business combinations	**392.7**	747.1	1,004.6
Additions	**34.6**	25.5	68.9
Amortisation for the period	**(60.5)**	(47.0)	(99.4)
Impairment loss	**-**	-	(36.8)
Disposals	**-**	(3.5)	(0.1)
Disposal of subsidiary	**(2.7)**	-	-
Other	**1.3**	0.7	0.7
Foreign exchange	**4.6**	(129.9)	(301.3)
Net book value at end of period	**3,152.7**	2,739.0	2,782.7

[1] See Basis of Preparation Note 1.1

The net book value of intangible assets comprises:

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 (Restated) £m
Goodwill	**2,189.8**	2,056.0	1,992.1
Computer software	**203.1**	194.0	201.5
Customer relationships	**333.0**	254.3	316.9
Other	**426.8**	234.7	272.2
Net book value at end of period	**3,152.7**	2,739.0	2,782.7

Intangible assets of £3,152.7m (HY 2013: £2,739.0m; FY 2013 restated: £2,782.7m) includes £759.8m (HY 2013: £489.0m; FY 2013 restated; £589.1m) which is attributable to other intangible assets arising on business combinations (included within customer relationships and other) as follows:

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 (Restated) £m
Customer relationships	**333.0**	254.3	317.0
Bed licences (within Bupa Care Services Australia)	**106.3**	110.2	102.2
Brands and trademarks	**244.4**	58.5	96.1
Licences to operate care homes	**41.1**	45.5	43.2
Customer contracts	**11.7**	-	15.0
Leases	**12.7**	11.8	10.4
Distribution networks	**9.5**	5.3	4.0
Order backlogs	**-**	2.1	0.1
Present valuation of acquired in-force business	**1.1**	1.3	1.1
Total	**759.8**	489.0	589.1

9 Intangible assets (continued)

Goodwill impairment

Goodwill is tested at least annually for impairment in accordance with IAS 36: Impairment of assets and IAS 38: Intangible assets. Impairment testing was last performed as at 31 December 2013. As required by IAS 34: Interim financial reporting, an in depth review for indicators of impairment of goodwill was carried out as at 30 June 2014 which resulted in no impairments.

The following table summarises goodwill by CGU:

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 (Restated)[1] £m
Australia and New Zealand			
Bupa Australia Health Insurance	**879.2**	884.5	859.7
Bupa Aged Care Australia	**267.0**	289.8	261.1
Bupa Health Services Australia	**250.0**	353.6	239.6
Bupa Care Services New Zealand	**34.7**	34.5	33.8
UK			
Bupa Care Services UK	**190.8**	178.2	190.8
The Bupa Cromwell Hospital	**16.2**	16.2	16.2
Bupa Home Healthcare	**-**	20.7	-
Other	**16.5**	4.3	8.4
Spain and Latin America Domestic			
Cruz Blanca Salud	**157.0**	-	-
Sanitas Seguros	**26.9**	28.4	28.0
Other	**5.7**	6.0	5.8
International Development Markets			
LUX MED	**188.6**	172.0	188.6
Quality HealthCare	**89.4**	-	92.3
Bupa Global	**67.8**	67.8	67.8
Total	**2,189.8**	2,056.0	1,992.1

[1]See Basis of Preparation Note 1.1

10 Property, plant and equipment

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Net book value at beginning of period	**2,697.1**	2,323.4	2,323.4
Additions through business combinations	**135.3**	179.4	264.0
Additions	**88.7**	85.1	240.3
Depreciation charge for the period	**(69.3)**	(57.4)	(123.4)
Other	**(1.3)**	(0.8)	6.6
Disposals of subsidiary companies	**(1.7)**	-	-
Disposals	**(2.5)**	(0.5)	(3.4)
Revaluations	**-**	(0.1)	90.0
Foreign exchange	**3.0**	(28.4)	(100.4)
Net book value at end of period	**2,849.3**	2,500.7	2,697.1

11 Provisions under insurance contracts issued

	At 30 June 2014			At 30 June 2013			At 31 December 2013		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	£m	£m	£m	£m	£m	£m	£m	£m	£m
General insurance business									
Provisions for unearned premiums	**2,065.1**	**(3.4)**	**2,061.7**	2,110.8	(16.7)	2,094.1	1,488.8	(7.7)	1,481.1
Provisions for claims	**789.0**	**(0.8)**	**788.2**	849.8	(6.5)	843.3	684.7	(6.2)	678.5
Long term business									
Provisions for life insurance benefits	**21.9**	**(0.7)**	**21.2**	24.5	(0.7)	23.8	22.5	(0.8)	21.7
Total insurance provisions	**2,876.0**	**(4.9)**	**2,871.1**	2,985.1	(23.9)	2,961.2	2,196.0	(14.7)	2,181.3
Non-current	**23.8**	**-**	**23.8**	26.4	-	26.4	24.4	-	24.4
Current	**2,852.2**	**(4.9)**	**2,847.3**	2,958.7	(23.9)	2,934.8	2,171.6	(14.7)	2,156.9
Total insurance provisions	**2,876.0**	**(4.9)**	**2,871.1**	2,985.1	(23.9)	2,961.2	2,196.0	(14.7)	2,181.3

12 Post employment benefits

The Bupa Pension Scheme has been valued as at 30 June 2014, 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 statement of financial position to support the unfunded schemes; however, provisions are included in the statement of financial position in respect of these liabilities. The latest valuation of these arrangements was performed as at 30 June 2014 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 2014 by the Group's independent actuary using the same key assumptions as adopted at 30 June 2013 under IAS 19 for The Bupa Pension Scheme.

The net impact of the valuations described above is to increase the net surplus relating to post employment schemes from £72.5m as at 31 December 2013, to a net surplus of £79.9m as at 30 June 2014.

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

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Current service cost	**7.2**	7.2	15.7
Net interest on defined benefit liability / asset	**(1.8)**	(1.9)	(2.6)
Administrative expenses	**0.8**	0.8	1.7
Total amount charged to income consolidated income statement	**6.2**	6.1	14.8

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

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Present value of funded obligations	**(1,315.8)**	(1,223.7)	(1,250.7)
Fair value of scheme assets	**1,448.0**	1,306.0	1,373.6
Net assets of funded schemes	**132.2**	82.3	122.9
Present value of unfunded obligations	**(52.3)**	(53.6)	(50.4)
Net recognised assets	**79.9**	28.7	72.5

Represented on the balance sheet as:

Net assets	**139.5**	92.2	130.5
Net liabilities	**(59.6)**	(63.5)	(58.0)
Net recognised assets	**79.9**	28.7	72.5

13 Business combinations

2014 acquisitions

A number of acquisitions were made during the period ended 30 June 2014, the details are as follows:

		Date of acquisition	Percentage of holding
Australia and New Zealand	Dental Centres - various	Various	100%
	Cargil - NZ Aged Care facility	10 June 2014	100%
Spain and Latin America Domestic	Cruz Blanca Salud*	24 February 2014	56%
International Development Markets	Scanlab	1 April 2014	100%
	Diagnostic Med	28 April 2014	100%
	Centrum Zdrowia Medycyna	2 June 2014	100%
UK	The White Dental Company	31 January 2014	100%
	Barbican Dental Centre	3 February 2014	100%

*As part of the acquisition of Cruz Blanca Salud, the Group issued a put option to one of the existing shareholders which allows them to sell a further 17% to the Group within the next 5 years.

	Cruz Blanca Salud			Other		
	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m	Carrying value at acquisition £m	Provisional fair value adjustments £m	Provisional fair value £m
Intangible assets	112.4	99.4	211.8	-	-	-
Property, plant and equipment	129.5	3.2	132.7	2.6	-	2.6
Investment property	1.9	-	1.9	2.8	-	2.8
Inventories	2.6	-	2.6	-	-	-
Equity accounted investments	0.3	-	0.3	-	-	-
Financial investments	43.8	-	43.8	-	-	-
Trade and other receivables	43.8	-	43.8	1.3	-	1.3
Assets arising from insurance business	55.8	(46.0)	9.8	-	-	-
Cash and cash equivalents	36.8	-	36.8	0.4	-	0.4
Other interest bearing liabilities	(159.3)	(1.8)	(161.1)	(0.6)	-	(0.6)
Deferred tax liabilities	(17.6)	(8.3)	(25.9)	(2.3)	-	(2.3)
Deferred income	-	-	-	(0.1)	-	(0.1)
Trade and other payables	(103.4)	7.2	(96.2)	(1.7)	-	(1.7)
Insurance liabilities	(25.9)	(19.6)	(45.5)	-	-	-
Provisions for liabilities and charges	-	-	-	(0.1)	-	(0.1)
	120.7	**34.1**	**154.8**	**2.3**	**-**	**2.3**
Net assets acquired			154.8			2.3
Attributable to non-controlling interests			(50.8)			-
Goodwill			160.7			20.4
Consideration			**264.7**			**22.7**
Consideration satisfied by:						
Cash			201.9			22.7
Fair value of put option			61.0			-
Deferred consideration			1.8			-
Total consideration paid			**264.7**			**22.7**
Purchase consideration settled in cash			201.9			22.7
Cash acquired on acquisition			36.8			0.4
Net cash outflow on acquisition			**165.1**			**22.3**

On 24 February 2014 the Group acquired 56% of Cruz Blanca Salud. Cruz Blanca Salud is an integrated healthcare group in Chile, listed on the Bolsa de Santiago stock exchange, and represents Bupa's first domestic business in Latin America with 0.6m insurance customers, 27 outpatient clinics, three hospitals and Chile's largest clinical laboratory. It also has a small outpatient and diagnostic business in Peru.

As part of the Cruz Blanca Salud transaction, the Group has issued a put option which will allow the specified vendor to sell an additional 17% shareholding to Bupa for a specified price, adjusted for inflation. The put option will be exercisable between 24 and 60 months from the date of the deal, unless certain other events (e.g. change of control) occur.

The terms and conditions of the put option are such that the risks and rewards of the 17% shareholding are transferred to Bupa, therefore the total consideration of £264.7m (CLP 244,390.4m) and the goodwill arising from the transaction of £160.7m have been calculated on an ownership basis of 73%.

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

The above tables are translated at average rates for the period ended 30 June 2014. The key metrics relating to the Cruz Blanca Salud acquistion using the transaction date spot rates are; net assets £154.7m, consideration £264.6m and goodwill £160.7m.

The fair value adjustments relating to the acquisition of Cruz Blanca Salud are provisional and will be finalised during 2014, no longer than 12 months after the date of acquisition.

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

Transaction costs expensed in the period to 30 June 2014, within Other Operating Expenses, are detailed below:

	£m
Cruz Blanca Salud	3.3
Other	0.9
Total	**4.2**

13 Business combinations (continued)

2013 acquisitions

		Date of acquisition	Percentage of holdings
Australia & New Zealand	Dental Corporation	31 May 2013	100%
	Innovative Care - Care Services	8 February 2014	100%
UK	Richmond Care Villages	19 August 2013	100%
International Development Markets	LUX MED	11 April 2013	100%
	Quality HealthCare	24 October 2013	100%

During the period ended 30 June 2014, the fair value accounting for LUX MED, Dental Corporation and Richmond Care Villages were finalised and as a result the reported Group statement of financial position as at 31 December 2013 has been adjusted to reflect the final fair value adjustments on acquisition. The fair value accounting for Quality HealthCare remains provisional at 30 June 2014.

As part of the finalisation of the fair value acquisition balances, the value of the Dental Corporation Group's 34.3% investment in Dental Corporation Canada has been revised. This has resulted in an uplift of £19.9m, and a corresponding reduction in goodwill. 100% of this adjustment will be borne within the Bupa Health Services Australia CGU, as this investment is entirely independent of the Bupa Australia Health Insurance CGU.

Following the completion of the acquisition accounting for Quality HealthCare, £140.1m of additional intangible assets have been identified. The impact, net of deferred tax (£23.1m), reduced the goodwill arising as a result of this transaction to £104.5m. See section (v) below for more details.

	LUX MED			Dental Corporation		
	Carrying value at acquisition £m	Fair value adjustments £m	Fair value £m	Carrying value at acquisition £m	Fair value adjustments (restated[1]) £m	Fair value (restated[1]) £m
Intangible assets	106.9	62.0	168.9	1.4	-	1.4
Property, plant and equipment	31.7	2.3	34.0	16.5	-	16.5
Inventories	0.3	-	0.3	0.8	-	0.8
Equity accounted investments	0.1	-	0.1	8.3	21.2	29.5
Trade and other receivables	13.4	-	13.4	12.5	-	12.5
Assets arising from insurance business	0.4	-	0.4	-	-	-
Cash and cash equivalents	12.7	-	12.7	11.2	-	11.2
Other interest bearing liabilities	(186.9)	-	(186.9)	(97.4)	-	(97.4)
Deferred tax (liabilities) / assets	(29.4)	(2.6)	(32.0)	4.0	-	4.0
Deferred income	(1.5)	-	(1.5)	-	-	-
Trade and other payables	(19.6)	-	(19.6)	(17.0)	-	(17.0)
Insurance liabilities	(0.6)	-	(0.6)	-	-	-
Provisions for liabilities and charges	(1.3)	-	(1.3)	(13.6)	-	(13.6)
	(73.8)	**61.7**	**(12.1)**	**(73.3)**	**21.2**	**(52.1)**
Net assets acquired			(12.1)			(52.1)
Goodwill			177.7			327.7
Consideration			**165.6**			**275.6**
Consideration satisfied by:						
Cash			165.6			231.2
Deferred			-			44.4
Total consideration paid			**165.6**			**275.6**
Purchase consideration settled in cash			165.6			231.2
Cash acquired on acquisition			12.7			11.2
Net cash outflow on acquisition			**152.9**			**220.0**

[1]See Basis of Preparation Note 1.1

(i) LUX MED

On 11 April 2013, the Group acquired a 100% of the share capital of the LUX MED Group, for cash consideration of £165.6m (€198.5m/PLN 818.0m). The LUX MED Group is the largest private healthcare provider in Poland, providing integrated healthcare to over 3m customers. As a result of this acquisition £177.7m of goodwill has been recognised.

The goodwill represents a premium required to attain the market leading private healthcare company in Poland. LUX MED represents a clear fit with Bupa's strategy and offers the opportunity to further develop the existing position through greater integration of funding and provision elements of the business, delivery of opportunities to tackle some of the key issues in global healthcare and to work with the Polish government in shaping the public and private healthcare sector.

As part of the acquisition accounting the existing intangible asset values have been uplifted by £62.0m, see breakdown in the table below. The most significant of these was the LUX MED brand (£57.0m), which was allocated a useful life of 15 years, to reflect LUX MED's position as a market leader and the Group's ongoing commitment to the brand presence in the region.

The majority of customer relationship assets identified (£93.5m) have been allocated a useful life of 20 years, based on historical customer churn rates provided by local management. These are considered to be appropriate and are in line with Group policy.

	£m	Useful Life	
Brand and trademarks	60.2	10 - 15 yrs	3 trademarks recognised: LUX MED, Medycyna Rodzinna and AVI
Customer relationships	98.7	10 - 20 yrs	Primarily relating to the corporate subscriber base in the outpatient segment
Order backlog	3.7	6m - 1yr	Order backlog has been estimated based on expected cash flows until expiration of currently binding contracts or until the end of the notice period
Other	6.3	1 - 9yrs	Software, favourable leasehold contracts, assessed against market rates
	168.9		

13 Business combinations (continued)

2013 acquisitions

(ii) Dental Corporation
On 31 May 2013 the Group acquired 100% of the Dental Corporation Group, for cash consideration of £275.6m (AUD 447.2m). Dental Corporation is Australia and New Zealand's largest corporate dental provider, and at the date of acquisition, also held a 34.3% share of Dental Corporation Canada. This acquisition added 190 dental clinics and approximately 0.6m customers to the Australia and New Zealand Market Unit. As a result of the acquisition £327.7m of goodwill has been recognised.

The goodwill represents a premium for acquiring an established, market leading dental business with operations in Australia, New Zealand and Canada. In addition, the value of the dentists (assembled workforce), the senior management, the portfolio value and other intangibles that do not meet the recognition criteria of IAS 38 are all incorporated within this goodwill value.

Synergies have been identified with the existing health insurance business, primarily relating to the ability to provide enhanced customer value proposition and the ability to cross sell Bupa's health insurance products to the existing dental customers and vica versa. As a result of these synergies, 20% of the goodwill arising from the Dental Corporation acquisition has been allocated to the Bupa Australia Health Insurance CGU. The remainder of the goodwill will sit within the Bupa Health Services Australia CGU.

	Innovative Care			Richmond		
	Carrying value at acquisition	Fair value adjustments	Fair value	Carrying value at acquisition	Fair value adjustments	Fair value
	£m	£m	£m	£m	£m	£m
Intangible assets	-	17.2	17.2	-	15.0	15.0
Property, plant and equipment	128.8	-	128.8	43.1	-	43.1
Investment property	-	-	-	1.4	-	1.4
Inventories	-	-	-	18.2	-	18.2
Trade and other receivables	0.1		0.1	0.4	-	0.4
Restricted assets	-	-	-	0.2	-	0.2
Cash and cash equivalents	-	-	-	0.6	-	0.6
Other interest bearing liabilities	-	-	-	(38.8)	-	(38.8)
Deferred tax assets/(liabilities)	0.5	-	0.5	0.7	(3.0)	(2.3)
Trade and other payables	(41.4)	-	(41.4)	(3.4)	-	(3.4)
Provisions for liabilities and charges	(1.6)	-	(1.6)	-	-	-
	86.4	**17.2**	**103.6**	**22.4**	**12.0**	**34.4**
Net assets acquired			103.6			34.4
Goodwill			1.4			12.6
Consideration			**105.0**			**47.0**
Consideration satisfied by:						
Cash			105.0			47.0
Total consideration paid			**105.0**			**47.0**
Purchase consideration settled in cash			105.0			47.0
Cash acquired on acquisition			-			0.6
Net cash outflow on acquisition			**105.0**			**46.4**

(iii) Innovative Care
The Group acquired nine Care Home businesses in Australia from Innovative Care Ltd, on 8 February 2013, for total cash consideration of £93.8m (AUD152.3m). A tenth care home was subsequently acquired on 1 July 2013 for consideration of £11.2m (AUD18.1m). These acquisitions added over 1,100 beds and will improve the quality and diversity of Bupa's residential care portfolio in Australia. The acquired care homes have been valued by Knight Frank, chartered surveyors, and intangible assets of £17.2m relating to bed licences have been identified. Goodwill of £1.4m is recognised as a result of the acquisition.

(iv) Richmond Care Villages
On 19 August the Group acquired 100% of Richmond Care Villages Ltd, for a total consideration of £47.0m. The transaction added five operating care villages and three development sites to the existing aged care portfolio in the UK, and will enable the UK Market Unit to offer a wider choice of care options.

The acquired properties and related assets have been independently valued by Knight Frank, chartered surveyors. As a result, intangible assets of £15.0m relating to existing customer contracts, including alignment fees, have been identified and goodwill of £12.6m has been recognised. This represents a portfolio premium for acquiring a retirement village, which includes a care home business and living apartments for a high proportion of self pay residents.

13 Business combinations (continued)

2013 acquisitions

	Quality HealthCare			Other		
	Carrying value at acquisition	Fair value adjustments (restated[1])	Fair value (restated[1])	Carrying value at acquisition	Fair value adjustments	Fair value
	£m	£m	£m	£m	£m	£m
Intangible assets	33.1	107.4	140.5	-	0.4	0.4
Property, plant and equipment	6.8	-	6.8	34.8	-	34.8
Investment property	-	-	-	3.9	-	3.9
Inventories	1.6	-	1.6	0.3	-	0.3
Trade and other receivables	21.3	-	21.3	1.4	-	1.4
Cash and cash equivalents	3.6	-	3.6	0.7	-	0.7
Other interest bearing liabilities	-	-	-	(10.6)	-	(10.6)
Deferred tax (liabilities)/assets	(1.3)	(23.1)	(24.4)	0.3	(0.1)	0.2
Deferred income	(2.2)	-	(2.2)	(1.0)	-	(1.0)
Trade and other payables	(18.0)	-	(18.0)	(12.6)	-	(12.6)
Provisions for liabilities and charges	(0.4)	-	(0.4)	(1.2)	-	(1.2)
	44.5	**84.3**	**128.8**	**16.0**	**0.3**	**16.3**
Net assets acquired			128.8			16.3
Attributable to non-controlling interest			-			0.9
Goodwill			104.5			37.9
Consideration			**233.3**			**55.1**
Consideration satisfied by:						
Cash			233.3			54.6
Deferred			-			0.5
Total consideration paid			**233.3**			**55.1**
Purchase consideration settled in cash			233.3			54.6
Cash acquired on acquisition			3.6			0.7
Net cash outflow on acquisition			**229.7**			**53.9**

[1]See Basis of Preparation Note 1.1

(v) Quality HealthCare
On 24 October 2013 the Group acquired 100% of Quality HealthCare, Hong Kong's largest private clinic network, for a total consideration of £233.3m (USD 365.2m / HKD 2,831.2m). This acquisition will enhance the Group's healthcare offering in the region.

Goodwill of £104.5m has been recognised as part of this transaction, which represents the premium required to attain the leading private clinic network in Hong Kong. Significant synergies with the established private medical insurance business in Hong Kong will be realised in due course, and in addition, the principal business location and its existing ties with the mainland means that the Quality HealthCare business provides an ideal platform from which to penetrate the Chinese healthcare market.

As part of the acquisition accounting the existing intangible asset values relating to brand, trademarks, customer relationships and software have been uplifted by £107.5m, details are provided below.

All intangible assets useful lives are in line with Group's policy.

	£m	Useful Life	
Brand and trademarks	38.9	10yrs	Quality HealthCare currently operate under a variety of trade names, the primary one being "Quality HealthCare Medical Services"
Customer relationships (Insurance)	62.3	15yrs	Based on long-standing insurance customer relationships, excluding pre-existing relationships with Bupa Hong Kong
Customer relationships (Corporate)	38.9	14yrs	Based on long-standing corporate customer relationships
Software	0.4	Various	
	140.5		

The fair value adjustments relating to the acquisition of Quality HealthCare are provisional and will be finalised during 2014, no longer than 12 months after the date of acquisition.

No contingent liabilities have been identified in relation to any of the 2013 acquisitions.

The above tables are translated at average rates for the period ended 31 December 2013. Set out below is the calculation of goodwill using the spot rates applicable at the respective date of acquisition.

	LUX MED	**Dental Corporation**	**Innovative Care**	**Richmond Care Villages**	**Quality HealthCare**
	£m	£m	£m	£m	£m
Net assets acquired	(12.4)	(50.4)	108.9	34.4	131.3
Goodwill	182.1	332.0	1.5	12.6	94.5
Consideration	**169.7**	**281.6**	**110.4**	**47.0**	**225.8**

13 Business combinations (continued)

2013 acquisitions

Transaction costs expensed in the period to 31 December 2013, within other operating expenses, are detailed below:

	£m
LUX MED	2.3
Dental Corporation	3.8
Innovative Care	7.2
Richmond Care Villages	2.2
Quality HealthCare	3.5
Other	9.6
Total	**28.6**

(b) Disposals

On 31 March 2014, the Group sold its 100% shareholding in Health Dialog Services Corporation, a health analytics business in the USA, which was part of the International Development Markets Unit, for cash proceeds of £12.0m (USD20.0m).

	At 30 June 2014 £m
Sale proceeds	**12.0**
Adjust for:	
Net assets divested[1]	(5.4)
Transaction costs	(2.0)
Revaluation Reserve recycled upon disposal	5.7
Foreign Exchange Reserve recycled upon disposal	0.8
Net gain on the sale of businesses	**11.1**

[1]Intangible assets £2.7m, Property plant and equipment £1.7m, Trade and other receivables £3.0m, cash £10.9m and Trade and other payables £12.9m.

The net gain on sale of business is included within other income and charges in the consolidated income statement.

The cash proceeds received, net of cash disposed of and disposal costs paid to 30 June 2014 resulted in a cash outflow of £3.7m (USD6.2m).

There were no disposals during 2013.

(c) Subsequent events

On 1 July 2014 Bupa acquired a network of 7 diagnositic clinics in Poland from Enel Med, for a total consideration of £12.0m. An exercise to determine the fair value of the net assets and contingent liabilities is underway.

On 22 July 2014, the group disposed of its 35% interest in Dental Corporation Canada to Imperial Capital Group for £42.2m (CAD77.4m).

14 Financial investments

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Non-current			
Designated at fair value through profit or loss			
Debt securities - government bonds	**99.8**	11.0	18.4
Debt securities - corporate bonds	**152.6**	123.2	125.3
Shares and other variable yield securities	**135.0**	140.7	139.0
Held to maturity			
Medium-term notes	**30.0**	100.0	50.0
Debt securities - corporate bonds	**10.6**	14.3	5.7
Loans and receivables			
Debt securities - corporate bonds	**81.8**	77.8	79.7
Deposits with credit institutions	**362.4**	167.2	337.4
Total non-current financial investments	**872.2**	634.2	755.5
Current			
Designated at fair value through profit or loss			
Debt securities - government bonds	**13.1**	10.8	13.5
Debt securities - corporate bonds	**15.7**	1.6	0.8
Shares and other variable yield securities	**24.6**	-	24.5
Held to maturity			
Medium term notes	**170.0**	100.2	150.2
Discounted notes	**-**	1.3	-
Debt securities - government bonds	**1.8**	-	-
Debt securities - corporate bonds	**28.6**	39.6	52.4
Loans and receivables			
Deposits with credit institutions	**1,094.6**	1,158.5	1,063.2
Other loans	**1.2**	10.0	1.2
Total current financial investments	**1,349.6**	1,322.0	1,305.8
Total financial investments	**2,221.8**	1,956.2	2,061.3

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

	Total Non-current			Total Current		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
At June 30 2014						
Financial Investments						
Dept securities - government bonds	23.2	76.6	99.8	13.1	-	13.1
Dept securities - corporate bonds	20.7	131.9	152.6	0.3	15.4	15.7
Share and other variable yield securities	134.8	0.2	135.0	-	24.6	24.6
Derivatives						
Derivative assets	-	49.6	49.6	-	7.1	7.1
Derivative liabilities	-	(70.1)	(70.1)	-	(1.8)	(1.8)
At June 30 2013						
Financial Investments						
Dept securities - government bonds	10.5	0.5	11.0	10.7	-	10.7
Dept securities - corporate bonds	18.9	104.3	123.2	1.6	-	1.6
Share and other variable yield securities	140.5	0.2	140.7	-	-	-
Derivatives						
Derivative assets	-	65.8	65.8	-	0.6	0.6
Derivative liabilities	-	(4.0)	(4.0)	-	(5.6)	(5.6)
At December 31 2013						
Financial Investments						
Dept securities - government bonds	17.6	0.8	18.4	13.5	-	13.5
Dept securities - corporate bonds	20.0	105.3	125.3	0.8	-	0.8
Share and other variable yield securities	138.3	0.7	139.0	-	24.5	24.5
Derivatives						
Derivative assets	-	50.0	50.0	-	12.9	12.9
Derivative liabilities	-	(3.6)	(3.6)	-	(1.2)	(1.2)

15 Subordinated liabilities

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Non-current			
Callable subordinated perpetual guaranteed bonds	**330.0**	330.0	330.0
Fair value adjustment in respect of hedged interest rate risk	**49.6**	64.2	50.0
Callable subordinated perpetual guaranteed bonds at carrying value	**379.6**	394.2	380.0
5.0% subordinated unguaranteed bonds due 2023	**494.9**	494.2	494.6
Other subordinated debt due 2022	**32.5**	32.7	32.8
10.5% subordinated guaranteed bonds due 2018	**-**	3.9	-
	907.0	925.0	907.4
Current			
Callable subordinated perpetual guaranteed bonds	**15.9**	16.0	5.9
5.0% subordinated unguaranteed bonds due 2023	**4.0**	4.0	4.0
10.5% subordinated guaranteed bonds due 2018	**-**	0.2	-
	19.9	20.2	9.9
Total subordinated liabilities	**926.9**	945.2	917.3

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

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

16 Other interest bearing liabilities

	At 30 June 2014 £m	At 30 June 2013 £m	At 31 December 2013 £m
Non-current			
Senior unsecured bonds	**737.3**	349.2	349.3
Bank loans	**395.7**	31.5	176.9
Secured loans	**234.0**	233.9	234.0
Finance lease liabilities	**17.6**	3.6	6.2
	1,384.6	618.2	766.4
Current			
Senior unsecured bonds	**15.6**	15.8	15.7
Bank loans	**21.2**	1.3	225.3
Secured loans	**4.1**	4.1	4.1
Finance lease liabilities	**8.4**	0.5	1.6
Bank overdrafts	**0.9**	8.0	0.1
Other loans	**0.1**	-	0.7
Debenture stock	**-**	52.1	51.3
	50.3	81.8	298.8
Total interest bearing liabilities	**1,434.9**	700.0	1,065.2

3.375% senior unsecured bonds due to 2021
On 17 June 2014, Bupa Finance plc issued £350.0m of senior unsecured bonds, guaranteed by the Company, which mature on 17 June 2021, interest payable on the bonds is 3.375% per annum.

17 Commitments and Contingencies

Capital commitments

Capital expenditure for the Group contracted at 30 June 2014 but for which no provision has been made in the financial statements amounted to £205.6m (FY 2013: £102.9m). Since the year end an additional £102.7m of capital commitments has been added within the Australia and New Zealand Market Unit largely relating to the construction of aged care facilities and Retirement Villages.

Statement of Directors' responsibilities

for the six months ended 30 June 2014

We confirm that to the best of our knowledge:

• the condensed set of financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;

• the interim management report includes a fair review of the information 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 set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

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

The Directors of The British United Provident Association Limited are listed in the Annual Report and Accounts for the year ended 31 December 2013.

By order of the Board

Stuart Fletcher
Chief Executive Officer

Evelyn Bourke
Chief Financial Officer

5 August 2014

BUPA

Independent review report to The British United Provident Association Limited from KPMG LLP

for the six months ended 30 June 2014

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2014 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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 set of financial statements in the half year financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with:

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

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

5 August 2014