

BUPA CARE HOMES (CFG) PLC

(Registered No. 1969735)

**CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS
(UNAUDITED)**

SIX MONTHS ENDED 30 JUNE 2009

BUPA CARE HOMES (CFG) PLC
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009

INTRODUCTION

Bupa Care Homes (CFG) plc (the “Company”) is a Company domiciled in England and Wales. The condensed consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activities of the Group are the owning and operating of nursing and residential homes for the elderly in the United Kingdom.

REVIEW OF OPERATIONS

The Group is a leader in aged care, providing nursing and residential care to over 15,550 people in the UK in 255 homes. The Group offers a wide variety of services within the care homes. In addition to elderly nursing care the Group provides specialist care to residents in such groups as dementia sufferers, young people with physical or learning disabilities and people with conditions such as Parkinson’s and Huntington’s diseases.

The results for the half year to 30 June 2009 are summarised below:

	For six months ended 30 June 2009	For six months ended 30 June 2008	For year ended 31 December 2008
	£million	£million	£million
Revenues	261.6	253.5	516.1
Surplus from operations before other income	29.2	31.9	68.0
Surplus from operations	29.2	38.1	74.2
Surplus before tax	26.9	35.5	72.8
Tax	(7.0)	(9.0)	(15.9)
Surplus	19.9	26.6	56.9

Revenues grew by 3.2% to £261.6million and the surplus decreased by 25% to £19.9million. This growth in revenues was driven by a modest rise in fee rates from local authorities in the UK, coupled with an increase in the number of residents. 2009 occupancy has been adversely impacted by high death rates over the winter period and a slow down in admissions of self funded residents. This has gradually been improving over recent months. The prior period surplus includes the benefit of a £6.2 million gain on property disposal.

The Company has a development programme to extend existing homes as well as develop new sites. In addition there is an ongoing refurbishment programme to further enhance the quality of the customer proposition.

Most residents cared for by the Company are financed wholly, or in part, by local authorities and primary care trusts.

In addition to the ownership and operation of Care Homes, the Group also constructs purpose built care homes for other Group undertakings and manufactures and sells pharmaceutical dispensing products to pharmacies.

BUSINESS DEVELOPMENT

The Group continues to invest in an extensive programme of new builds, extensions and refurbishments to care homes. The Group has invested £11.7million (£16.2million – 2008) in the period.

BUSINESS RISK AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are set out in the annual accounts 2008, a copy of which can be obtained from the Registrar of Companies, Crown Way, Cardiff, CF14 3UZ. The Group maintains a well established process for identifying and managing business risks. In addition to those risks highlighted in the annual accounts 2008, this half year report highlights rising operating costs, particularly higher salaries, food and utility costs, especially where local authority fee settlements continue to be inadequate as a key prevailing risk.

A pandemic such as swine flu could present the Group with significant operational difficulties in maintaining adequate staffing profile while protecting residents. The Group has detailed contingency plans for each location to reduce any disruption to normal business activities.

OUTLOOK

The Group continues to show positive momentum with growth in revenues whilst maintaining a good operating margin.

BUPA CARE HOMES (CFG) PLC

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the six months ended 30 June 2009**

	Note	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Revenues	2	<u>261,589</u>	<u>253,499</u>	<u>516,056</u>
Operating expenses				
Other operating expenses		(232,356)	(221,623)	(448,072)
Other income	4	<u>-</u>	<u>6,240</u>	<u>6,240</u>
Operating expenses		<u>(232,356)</u>	<u>(215,383)</u>	<u>(441,832)</u>
Surplus from operations		29,233	38,116	74,224
Provisions for liabilities in participating interests	5	-	(1,196)	(2,534)
Financial income	6	8,921	16,942	36,016
Financial expenses	7	<u>(11,229)</u>	<u>(18,339)</u>	<u>(34,881)</u>
Surplus before taxation expense		26,925	35,523	72,825
Taxation expense	8	<u>(7,029)</u>	<u>(8,953)</u>	<u>(15,879)</u>
Surplus for the financial period attributable to equity holders of the parent Company		<u>19,896</u>	<u>26,570</u>	<u>56,946</u>

BUPA CARE HOMES (CFG) PLC**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30 June 2009**

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Surplus for the financial period	<u>19,896</u>	<u>26,570</u>	<u>56,946</u>
Other comprehensive (expense)/income			
Actuarial loss on pension schemes	-	-	(282)
Unrealised deficit on revaluation of properties	-	-	(6,000)
Taxation on income and expenses recognised directly in equity	-	(476)	1,303
Other comprehensive expense for the period, net of tax	<u>-</u>	<u>(476)</u>	<u>(4,979)</u>
Total comprehensive income for the period attributable to equity holders of the parent Company	<u>19,896</u>	<u>26,094</u>	<u>51,967</u>

BUPA CARE HOMES (CFG) PLC

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

as at 30 June 2009

	Note	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Non-current assets				
Intangible assets		8,617	8,256	8,175
Property, plant and equipment	10	632,538	630,024	632,891
Other investments		23,155	23,155	23,155
Deferred tax assets		-	708	249
Other receivables	11	420,964	429,790	414,160
		<u>1,085,274</u>	<u>1,091,933</u>	<u>1,078,630</u>
Current assets				
Inventories		5,798	352	5,727
Trade and other receivables	12	276,189	216,870	278,819
Cash and cash equivalents	13	8,295	16,011	6,433
		<u>290,282</u>	<u>233,233</u>	<u>290,979</u>
Total assets		<u>1,375,556</u>	<u>1,325,166</u>	<u>1,369,609</u>
Non-current liabilities				
11.8% debenture stock	14	(50,000)	(50,000)	(50,000)
Amounts owed to Bupa Group undertakings		(257,382)	(248,112)	(252,640)
Post employment benefit net liabilities	15	(627)	(982)	(627)
Deferred tax liabilities		(53,333)	(60,305)	(55,862)
Provisions for liabilities and charges	16	(165)	(42,154)	(176)
Preference shares	17	(70,000)	(70,000)	(70,000)
		<u>(431,507)</u>	<u>(471,553)</u>	<u>(429,305)</u>
Current liabilities				
Trade and other payables	18	(446,951)	(331,248)	(435,930)
Current tax liabilities		(17,744)	(17,299)	(8,435)
Bank loans and overdraft	19	(8,519)	-	-
		<u>(473,214)</u>	<u>(348,547)</u>	<u>(444,365)</u>
Total liabilities		<u>(904,721)</u>	<u>(820,100)</u>	<u>(873,670)</u>
Net assets		<u>470,835</u>	<u>505,066</u>	<u>495,939</u>
Equity				
Share capital	20	40,553	40,553	40,553
Share premium		114,141	114,141	114,141
Merger reserve		16,963	16,963	16,963
Capital redemption reserve		2,110	2,110	2,110
Revaluation reserve		210,708	215,027	210,708
Income and expenditure reserve		86,360	116,272	111,464
		<u>470,835</u>	<u>505,066</u>	<u>495,939</u>
Total equity attributable to the holders of the parent Company		<u>470,835</u>	<u>505,066</u>	<u>495,939</u>

These financial statements were approved by the Board of Directors on 27 August 2009 and were signed on its behalf by:

N R Taylor
Director

BUPA CARE HOMES (CFG) PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30 June 2009

	Note	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Net cash generated from operating activities	22	<u>34,568</u>	<u>34,169</u>	<u>72,468</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(15,745)	(20,145)	(36,200)
Proceeds on disposal of property, plant and equipment		-	6,728	6,730
Purchase of separately acquired intangible assets		(473)	(79)	(168)
Interest received		<u>-</u>	<u>34</u>	<u>87</u>
Net cash used in investing activities		<u>(16,218)</u>	<u>(13,462)</u>	<u>(29,551)</u>
Cash flows from financing activities				
Net loans with fellow Group undertakings		19,993	(12,158)	34,254
Settlement of provision for liabilities in participating interest		-	-	(43,200)
Dividends paid		<u>(45,000)</u>	<u>-</u>	<u>(35,000)</u>
Net cash used in financing activities		<u>(25,007)</u>	<u>(12,158)</u>	<u>(43,946)</u>
Net (decrease)/increase in cash and cash equivalents		(6,657)	8,549	(1,029)
Cash and cash equivalents at beginning of period		<u>572</u>	<u>1,601</u>	<u>1,601</u>
Cash and cash equivalents at end of period	22	<u>(6,085)</u>	<u>10,150</u>	<u>572</u>

BUPA CARE HOMES (CFG) PLC

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30 June 2009**

30 June 2009	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Income and expenditure reserve £'000	Total equity £'000
At beginning of period	40,553	114,141	16,963	2,110	210,708	111,464	495,939
Surplus for the period	-	-	-	-	-	19,896	19,896
Total comprehensive income for the period	-	-	-	-	-	19,896	19,896
Dividends paid	-	-	-	-	-	(45,000)	(45,000)
At end of period	40,553	114,141	16,963	2,110	210,708	86,360	470,835
30 June 2008	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Income and expenditure reserve £'000	Total equity £'000
At beginning of period	40,553	114,141	16,963	2,110	215,503	89,702	478,972
Surplus for the period	-	-	-	-	-	26,570	26,570
Taxation charge on income and expenses recognised directly in equity	-	-	-	-	(476)	-	(476)
Other comprehensive expense for the period, net of tax	-	-	-	-	(476)	-	(476)
Total comprehensive income for the period	-	-	-	-	(476)	26,570	26,094
At end of period	40,553	114,141	16,963	2,110	215,027	116,272	505,066
31 December 2008	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Income and expenditure reserve £'000	Total equity £'000
At beginning of period	40,553	114,141	16,963	2,110	215,503	89,702	478,972
Surplus for year	-	-	-	-	-	56,946	56,946
Taxation credit on income and expenses recognised directly in equity	-	-	-	-	1,205	98	1,303
Unrealised deficit on revaluation of properties	-	-	-	-	(6,000)	-	(6,000)
Actuarial gain on pension schemes	-	-	-	-	-	(282)	(282)
Other comprehensive expense for the period, net of tax	-	-	-	-	(4,795)	(184)	(4,979)
Total comprehensive income for the period	-	-	-	-	(4,795)	56,762	51,967
Dividend paid	-	-	-	-	-	(35,000)	(35,000)
At end of period	40,553	114,141	16,963	2,110	210,708	111,464	495,939

BUPA CARE HOMES (CFG) PLC

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) for the six months ended 30 June 2009

1. STATEMENT OF ACCOUNTING POLICIES

a) Financial information and basis of preparation

Bupa Care Homes (CFG) plc (the "Company") is a Company incorporated in England and Wales. The condensed consolidated financial statements for the half year ended 30 June 2009 comprise the Company and its subsidiary companies (together referred to as the "Group").

The condensed consolidated half year financial statements were approved by the Board of Directors on 27 August 2009.

The condensed consolidated financial statements for the half year ended 30 June 2009 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 (IAS34): "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 2008, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, adopted IFRS (IFRS).

The comparative figures for the financial year ended 31 December 2008 are not the Group's annual financial statements for that financial year but are derived from those financial statements. The annual financial statements for the financial year ended 31 December 2008 have been reported on by the Company's auditors, KPMG Audit Plc, and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

b) Accounting policies

Except as described below, the accounting policies adopted are consistent with those used in preparing the annual financial statements for the year ended 31 December 2008, and as described in those annual financial statements.

The following new standards, amendments to standards and interpretations have been adopted by the Group for the first time for the financial period ending 30 June 2009:

International Accounting Standard 1: "Presentation of financial statements" (IAS 1) (revised 2008) replaces IAS 1 (revised 2005) and is effective for financial periods beginning on or after 1 January 2009. This standard requires the Group to introduce the concept of 'total comprehensive income', which represents the change in equity during a period, other than changes resulting from transactions with owners in their capacity as owners. In applying this revision to IAS 1, a 'consolidated statement of comprehensive income' and a 'consolidated statement of changes in equity' have been introduced which replace the 'statement of recognised income and expense' and the equity note in the notes to the accounts respectively.

International Financial Reporting Standard 8: "Operating segments" (IFRS 8) is applicable for financial periods beginning on or after 1 January 2009 and requires the Group to report information about its operating segments based on the components of the entity that management uses to make operating decisions. The segments reported for the 2009 half year report are: health care, property development and other activities.

International Accounting Standard 23: "Borrowing costs" (IAS 23) (amended 2007) supersedes IAS 23 (revised 1993) and is effective for financial periods beginning on or after 1 January 2009, making it mandatory to capitalise borrowing costs that are directly attributable to a qualifying asset as defined by IAS 23. The impact of IAS 23 is immaterial to the Group's financial statements as at 1 January 2009 and for the six months to 30 June 2009.

c) Accounting estimates and judgement

The preparation of the condensed consolidated half year financial statements requires the use of certain accounting estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2008.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) for the six months ended 30 June 2009

2. REVENUES

An analysis of the Group revenues is as follows:

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Fee income	<u>261,589</u>	<u>253,499</u>	<u>516,056</u>

3. SEGMENTAL INFORMATION

The Group adopted IFRS 8 with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board to allocate resources to the segments and to assess their performance. As a result, the Group has three reportable segments as follows:

- Health care – ownership and operation of nursing and residential homes for the elderly
- Property development – construction of purpose built care homes for other Group undertakings
- Other activities – sale of pharmaceutical dispensing products to pharmacies

These reportable segments reflect the management structure whereby management monitors the results of the business to assess performance and make decisions about the allocation of resources. The accounting policies of the reportable segments are the same as those for the Group as a whole. Any transactions between business segments are under normal commercial terms and market conditions. Segmental performance is assessed based on surplus before share of post-tax results of equity accounted investments, amortisation of intangible assets arising on business combinations, impairment of goodwill, impairment of intangible assets arising on acquisition, other income and charges, financial income and expenses, taxation and minority interest.

The total surplus of the reportable segments is reconciled below to surplus after tax in the consolidated income statement. Financial income and expenses and taxation expense are reported and monitored on a Group basis and are not attributed to individual segments.

For six months ended 30 June 2009	Health care £'000	Property development £'000	Other activities £'000	Total £'000
Revenues				
External sales	256,358	3,026	2,205	261,589
Inter segment sales	-	-	-	-
	<u>256,358</u>	<u>3,026</u>	<u>2,205</u>	<u>261,589</u>
Segment result				
Operating surplus	<u>28,737</u>	<u>144</u>	<u>352</u>	29,233
Financial income				8,921
Financial expenses				<u>(11,229)</u>
Surplus before taxation expense				26,925
Taxation expense				<u>(7,029)</u>
Surplus after tax				<u>19,896</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009****3. SEGMENTAL INFORMATION (CONTINUED)**

For six months ended 30 June 2008	Health care £'000	Property development £'000	Other activities £'000	Total £'000
Revenues				
External sales	251,655	-	1,844	253,499
Inter segment sales	-	-	-	-
	<u>251,655</u>	<u>-</u>	<u>1,844</u>	<u>253,499</u>
Segment result				
Operating surplus	<u>37,827</u>	<u>-</u>	<u>289</u>	38,116
Provisions for liabilities in participating interests				(1,196)
Financial income				16,942
Financial expenses				<u>(18,339)</u>
Surplus before taxation expense				35,523
Taxation expense				<u>(8,953)</u>
Surplus after tax				<u>26,570</u>
For year ended 31 December 2008	Health care £'000	Property development £'000	Other activities £'000	Total £'000
Revenues				
External sales	512,146	-	3,910	516,056
Inter segment sales	-	-	-	-
	<u>512,146</u>	<u>-</u>	<u>3,910</u>	<u>516,056</u>
Segment result				
Operating surplus	<u>73,662</u>	<u>-</u>	<u>562</u>	74,224
Provisions for liabilities in participating interests				(2,534)
Financial income				36,016
Financial expenses				<u>(34,881)</u>
Surplus before taxation expense				72,825
Taxation expense				<u>(15,879)</u>
Surplus after tax				<u>56,946</u>

4. OTHER INCOME

Other income of £6.2million in the prior period relates to a gain on the sale of a care home site.

BUPA CARE HOMES (CFG) PLC**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009****5. PROVISIONS FOR LIABILITIES IN PARTICIPATING INTERESTS**

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Provision for liabilities in The Care Homes Partnership	-	1,196	2,534

6. FINANCIAL INCOME

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Bank deposits	-	34	87
Loans to fellow Bupa undertakings	8,921	16,908	35,929
	<u>8,921</u>	<u>16,942</u>	<u>36,016</u>

7. FINANCIAL EXPENSES

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Bank loans and overdrafts	-	26	46
Debenture stock	2,950	2,950	5,900
Loans from fellow Bupa undertakings	6,105	13,189	24,560
Preference dividend	2,174	2,174	4,375
	<u>11,229</u>	<u>18,339</u>	<u>34,881</u>

8. TAXATION EXPENSE

The effective tax rate on surplus before taxation expense for the six months ended 30 June 2009 is 26.1% (six months to 30 June 2008 – 25.2%; 31 December 2008 – 21.8%). These rates are lower than the UK corporation tax rate of 28%. The principal reasons for this includes the tax allowance for inflation on the Group's property portfolio.

BUPA CARE HOMES (CFG) PLC

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009**

9. DIVIDENDS

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Equity – ordinary			
Interim paid 27.7p (six months to 30 June 2008 - £nil, year ended 31 December 2008 - 21.6p) per ordinary share	<u>45,000</u>	<u>-</u>	<u>35,000</u>

No dividend is proposed for the half year to 30 June 2009.

10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Net book value at beginning of period	632,891	624,869	624,869
Additions	11,679	16,204	36,230
Disposals, net	-	(489)	(490)
Depreciation for the period	(12,032)	(10,560)	(21,186)
Impairment losses	-	-	(6,532)
Net book value at end of period	<u>632,538</u>	<u>630,024</u>	<u>632,891</u>

11. NON-CURRENT OTHER RECEIVABLES

Non-current other receivables comprise

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Amounts owed by Group undertakings	420,964	429,480	414,082
Advance operating property rental payments	-	310	78
	<u>420,964</u>	<u>429,790</u>	<u>414,160</u>

12. CURRENT TRADE AND OTHER RECEIVABLES

Current trade and other receivables comprise

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Trade receivables	32,390	31,477	30,912
Amounts owed by Group undertakings	228,354	169,033	234,271
Other receivables	347	1,327	615
Prepayments and accrued income	14,793	14,577	12,565
Advance operating rental payments	305	456	456
	<u>276,189</u>	<u>216,870</u>	<u>278,819</u>

BUPA CARE HOMES (CFG) PLC

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009**

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

14. 11.8% DEBENTURE STOCK

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
11.8% debenture stock	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

The 11.8% debenture stock is repayable at par in 2014. The stock is secured by a fixed charge over certain of the Group's assets, on a first floating charge over the businesses attached thereto and a general floating charge over the remainder of the assets of the Company and Bupa Care Homes (CFHCare) Limited. The assets pledged as security include £89,328,000 (30 June 2008 - £112,840,000; 31 December 2008 - £90,487,000) of property, plant and equipment. The fair value of the 11.8% debenture stock at 30 June 2009 was £68,421,225 (June 2008 - £61,186,000; 31 December 2008 - £66,848,000).

15. POST EMPLOYMENT BENEFIT NET LIABILITIES

The Group operates two funded defined benefit and defined contribution pension schemes for the benefit of employees and Directors. The defined benefit schemes provide benefits based on final pensionable salary. Contributions to such schemes are made in accordance with the recommendations of independent scheme actuaries of the individual schemes. Due to the size of the schemes, it is not material to carry out full half year valuation calculations.

There were no significant events or fluctuations in the current period.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Onerous lease	165	292	176
Participating interest	-	41,862	-
	<u>165</u>	<u>42,154</u>	<u>176</u>

17. PREFERENCE SHARES

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
70,000,000 cumulative redeemable preference shares of £1 each	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>

The non-equity preference shares represent the entire cumulative redeemable preference shares in Bupa Care Homes (CFHCare) Limited held by a fellow Bupa group undertaking not part of the Group.

Bupa Care Homes (CFHCare) Limited issued the cumulative redeemable preference shares at par value on 24 February 1998, carrying an initial dividend rate of 5.25% increasing to a maximum rate of 6.25%. On a return of capital on a winding-up or otherwise, the holders of the preference shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal paid up capital. The holders of the preference shares shall have the right to receive notice of and attend, but not to speak or vote at, a General Meeting of Bupa Care Homes (CFHCare) Limited.

BUPA CARE HOMES (CFG) PLC

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009**

18. TRADE AND OTHER PAYABLES

Trade and other payables due within one year comprise:

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Trade payables	4,205	5,218	202
Amounts owed to Group undertakings	366,068	252,781	352,670
Other taxation and social security	5,801	6,578	5,994
Other payables	3,571	4,362	3,934
Accruals and deferred income	65,796	60,799	71,620
Non equity dividend	1,510	1,510	1,510
	<u>446,951</u>	<u>331,248</u>	<u>435,930</u>

19. BANK LOANS AND OVERDRAFT

The actions taken to manage the principal risks inherent in the Group's financing activities are disclosed in the accounts of Bupa Finance Plc, an intermediate parent Company.

20. SHARE CAPITAL

	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Authorised Equity interests			
220,000,000 ordinary shares of 25 pence each	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>
Allotted, called up and fully paid Equity interests			
162,213,958 ordinary shares of 25 pence each	<u>40,553</u>	<u>40,553</u>	<u>40,553</u>

21 GOING CONCERN

Details of the Group's business activities, together with the factors likely to affect its future development, performance, cash flows, liquidity position and borrowing facilities are set out in the Review of the business of the Group's 2008 Directors' Report and Financial Statements. In addition, these statements summarise the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. IAS 1 requires the Group to make an assessment of its ability to continue as a going concern when preparing its financial statements. In making this assessment, management have considered forecasts based on the Group's Four Year Plan for 2009 to 2012, which take account of reasonable possible changes in trading performance. These projections show that the Group will be able to operate comfortably within the level of its current facility.

BUPA CARE HOMES (CFG) PLC

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the six months ended 30 June 2009**

22. NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For six months ended 30 June 2009 £'000	For six months ended 30 June 2008 £'000	For year ended 31 December 2008 £'000
Surplus before taxation expense	26,925	35,523	72,825
Adjustments for:			
Depreciation of property, plant and equipment	12,032	10,560	21,186
Impairment losses	-	-	532
Gain on sale of property, plant and equipment	-	(6,240)	(6,240)
Amortisation and impairment of intangible assets	31	44	214
Provisions for liabilities in participating interests	-	1,196	2,534
Financial income	(8,921)	(16,942)	(36,016)
Financial expenses	11,229	18,339	34,881
Movement in onerous lease provision	(11)	(35)	(151)
Movement in post employment benefits liability	-	(445)	(1,082)
Operating cash flows before movement in working capital	41,285	42,000	88,683
(Increase)/Decrease in working capital:			
Inventories	(71)	(213)	(5,588)
Trade receivables	(1,478)	(1,201)	(636)
Other receivables	268	266	978
Prepayments and accrued income	(2,228)	(1,862)	150
Trade payables	4,003	112	(4,904)
Other tax and social security	(193)	773	189
Accruals and deferred income	(3,934)	(4,089)	2,754
Other payables	(363)	1,130	702
Advance operating lease rental	229	229	461
Cash generated from operations	37,518	37,145	82,789
Interest paid	(2,950)	(2,976)	(10,321)
Net cash from operating activities	<u>34,568</u>	<u>34,169</u>	<u>72,468</u>
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
	At 30 June 2009 £'000	At 30 June 2008 £'000	At 31 December 2008 £'000
Cash on hand and balances with bank	8,295	16,011	6,433
Overdraft	(8,519)	-	-
Restricted access deposits	(5,861)	(5,861)	(5,861)
	<u>(6,085)</u>	<u>10,150</u>	<u>572</u>

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

A charge is held over cash of £5,861,000 (30 June 2008 - £5,861,000; 31 December 2008 - £5,861,000) as security over future operating rental payments due to UK Care No 1 Limited.

BUPA CARE HOMES (CFG) PLC

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the six months ended 30 June 2009**

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting as adopted by the EU;
- the half year report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of the Bupa Care Homes (CFG) plc are listed in the Annual Report and Accounts for the year ended 31 December 2008.

By order of the Board

N R Taylor
Director
27 August 2009

Director

INDEPENDENT REVIEW REPORT TO BUPA CARE HOMES (CFG) PLC FROM KPMG AUDIT PLC

Introduction

We have been engaged by the company to review the condensed consolidated financial statements in the half year financial report for the six months ended 30 June 2009 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 consolidated financial statements.

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

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year financial report in accordance with the DTR of the UK FSA.

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 consolidated financial statements included in this half year financial report have 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 consolidated financial statements in the half year financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half year financial report for the six months ended 30 June 2009 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

John Pass

for and on behalf of KPMG Audit Plc

Chartered Accountants

1 The Embankment

Neville Street

Leeds LS1 4DW

27 August 2009