

Bupa Care Homes (CFG) plc
(Registered number 1969735)
Directors' report and financial statements
for the year ended
31 December 2010

Bupa Care Homes (CFG) plc
Financial statements
Year ended 31 December 2010

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Bupa Care Homes (CFG) plc
Financial statements
Year ended 31 December 2010

Directors' report

The Directors present their annual report and the audited financial statements of Bupa Care Homes (CFG) plc ("the Company") for the year ended 31 December 2010.

1. Principal activities

The consolidated financial statements for the year ended 31 December 2010 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.

2. Business review

Results

The surplus for the year, after taxation, amounted to £34.9million (2009: £38.6million). The Group has net assets of £545.3million (2009: £480.7million) and generated £80.2million (2009: £81.1million) of cash from operating activities.

On a triennial basis the Group obtains an external market valuation of its property portfolio and in the intervening years prepares a Directors' valuation. In 2010, the Group revalued its entire care home portfolio resulting in a net uplift in value of £36.0million. In general, any upward revaluations are taken to reserves, and any reduction in the value of individual properties below historic cost is taken to the income statement. The total charge taken to the income statement for 2010 was £1.0million (2009: £2.6million).

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2010 (2009: £nil).

Key Performance Indicators

The Group together with fellow subsidiary undertakings of the ultimate parent undertaking, the British United Provident Association Limited (Bupa), with similar activities form Bupa Care Homes. Bupa Care Homes is a leading care homes operator in the UK providing nursing and residential care to more than 18,000 residents in over 300 care homes in the UK over 70% of whom are funded wholly or in part by local authorities and primary care trusts (PCTs). The Group operates 258 of these homes.

Despite the challenging economy the Group has delivered satisfactory results in the year. In this environment, the Group focused on managing occupancy and costs to maintain profitability. The Board monitors progress on the overall strategy and the individual strategic elements by reference to the key performance indicators below.

	2010	2009	Analysis
Revenue (£'000)	537,612	530,961	Revenue has increased primarily due to annual fee increases.
Operating surplus before exceptional items (£'000)	56,473	60,993	Operating surplus has decreased primarily due to lower occupancy and increase in operating lease rental of properties. The exceptional items relate to the write off of amounts due from some fellow Group companies that have been struck off.
Occupancy percentage (%)	88.2	88.4	Occupancy has fallen due to public authority funding restrictions, slowdown in self-funded admissions and high winter mortality rates.
Available beds	17,629	17,651	The strategy is to provide an enhanced environment for our residents.

Definitions and method of calculation

Occupancy percentage is defined as the average occupied beds divided by average available beds for the year.

Available beds are the average number of beds available for occupation during the year.

Directors' report (continued)

2. Business review (continued)

Key Performance Indicators (continued)

Overall occupancy was 88.2% (2009: 88.4%). Revenues grew and surplus was satisfactory despite public authority funding restrictions, with the average Local Authority fee increase across England from 1 April 2010 just 0.5%.

The unsustainably low level of funding increase reflects the current pressure on public sector budgets. Research commissioned by Bupa shows that continuing Local Authority spending cuts will inevitably lead to a significant shortfall in care home places and a potential bed blocking crisis for the NHS.

Development

Bupa Care Homes is actively contributing to the UK government's Commission on Funding of Care and Support in England, which is tasked with proposing a new, sustainable funding system that will meet the demands of the growing number of older people for the long term and is due to report in the second half of 2011. The business also submitted responses to consultations by the All Party Parliamentary Group on quality standards for dementia and the Care Quality Commission on its plans for 2010-2015.

Throughout the year, Bupa Care Homes demonstrated its commitment to investing in the training and development of its staff. The business launched its "Person First, Dementia Second" specialist training programme and nearly 3,000 employees were trained to deliver high quality end of life care, through Bupa's partnership with the Marie Curie Palliative Care Institute.

The investment in its workforce resulted in the business securing a number of awards, including 'Daily Mail Care Home Carer of the Year' and 'Outstanding Dementia Care Support Worker' at the National Dementia Care Awards. The quality of Bupa Care Homes' care was also recognised by its highest ever resident satisfaction levels, with 95% rating the quality of care they receive as 'excellent', 'very good' or 'quite good'.

Bupa Care Homes continues to remain committed to developing its portfolio of care homes by refurbishing homes to provide the best possible environment for care. During the year the Group opened two new specialist dementia care homes in Southampton and Church Crookham, Hampshire.

Strategy

The Group is committed to being a leader in the industry. The business maintains its focus on residential care homes and on differentiating itself by specialising in dementia care. It achieves growth by consolidating in existing geographies and by expanding incrementally, while reviewing new markets for potential opportunities. Ongoing operational efficiency and effectiveness and tight cost control remain critical to sustaining surplus growth in a low inflation environment.

Health and safety

The Group continued to focus on health and safety in 2010, conducting a review of its policies in this area and continuing to develop online health and safety training tools.

Future outlook

Bupa Care Homes continued to perform well despite increasing pressure on public sector budgets and funding for aged care coming under review by the government. The impact of both the Comprehensive Spending Review and White Paper on Health produced uncertainty within local government and the NHS, impacting fees and referrals. In this environment, Bupa Care Homes focused on managing occupancy and costs to maintain profitability. Bupa Care Homes will maintain existing focus on care homes operations, resident satisfaction and staffing efficiencies and continue to develop a clear leadership position in dementia care.

Bupa Care Homes has a strong business in a high demand sector. The focus on innovation and quality and its leadership in aged care will continue to differentiate the Group and foster growth.

Directors' report (continued)

2. Business review (continued)

Principal risks and uncertainties

The Group's business and risk management processes fall within the overall process of its ultimate parent company, Bupa. The Group is managed on a divisional basis as part of Bupa's operations. The Bupa Group has a well established process for identifying business risks, evaluating controls and establishing and executing action plans. Details of Bupa's business risks and risk management processes are set out in the parent company's annual report. This process is based on best practice in risk management and involves the following steps:

1. Monitoring and management

Bupa's risk appetite statements are set by the Bupa Board and provide a benchmark against which to identify risks that are outside Bupa's tolerance. Risk monitoring is further aided by a suite of key risk indicators that provide an early indicator of an adverse shift in risk exposure. Risks are assessed on a quarterly basis in line with good practice and are reviewed and challenged by the Bupa Group Risk team.

2. Assessment

Each Quarterly Risk Assessment (QRA) seeks to identify the key risks faced by the business, the residual likelihood and impact of the risk based on the existing controls and an evaluation of the level of risk against management's risk appetite. Stress tests, including reverse stress tests, are performed to assess certain risk scenarios and their potential impact on the Bupa Group, as well as identifying scenarios which could lead to insolvency.

3. Evaluation

The output of the QRA forms the basis for the Bupa Group's Chief Risk Officer's report which is presented to the Bupa Group Audit, Risk & Compliance Committee quarterly. The report presents a view of the key risks faced by the Bupa Group, trends that present themselves across the business and a view on the action plans that are in place to mitigate identified risks. The Bupa Group's Chief Executive's Committee is informed frequently on the key risks identified via the QRA process.

4. Action plans

Actions required to bring risks within tolerance levels are assigned specific owners, with the nominated risk owner responsible for ensuring they progress appropriately. Progress on actions is monitored as part of the QRA process with performance against plan reported to local management on a regular basis and by local management to the Bupa Group Board.

The Bupa Group risk management framework assesses risk under the following categories:

- Strategic risks - specifically focussed on the economic environment, products offered, channel, market and brand.
- Financial risks - risk associated with the financial operations including capital management, investments, liquidity and credit.
- Clinical risks - risks associated with the provision of healthcare services to customers.
- Operational risks - risks associated with the inadequate or failed internal processes, people and systems, or from external events.

The list below sets out the principal risks to the achievement of the Bupa Group's goals in relation to the risk categories above.

Strategic

Business environment, government policy and development of the healthcare system.

Impact

The UK government is reviewing its approach to healthcare and funding provision and the involvement of the private sector. Such changes to government policy may have an impact on the Group's business.

Mitigation

The Group actively monitors demand and fee levels for residential care and responds appropriately where levels are consistently low. In the face of these pressures, opportunities for cost savings are identified.

Directors' report (continued)

2. Business review (continued)

Investment

Impact

The Group has given a guarantee and other undertakings as part of the Bupa Group banking agreements. Bupa Group had financial investments and cash equivalents totalling £2.85billion at year end. Failure to manage these assets effectively may result in financial loss and a reduction in Group solvency.

Mitigation

Most of the investments are managed by the Bupa Group's Treasury department under the supervision of the Bupa Treasury and Investment Committee, chaired by the Bupa Group Finance Director. Most of the investments are held in cash; exposure to individual counterparties is restricted and generally deposits are not held with institutions without two credit ratings of AA-/Aa3 or better by the major credit rating agencies. A small percentage of the Bupa Group portfolio is invested in return seeking assets, which may be volatile during periods of market stress or dislocation. The return seeking asset portfolio is managed within a risk budget framework using Value at Risk methodology.

Funding

Impact

Bupa supports its current operations and future growth from a combination of internally generated profits and externally raised debt. The Bupa Group needs to maintain good access to a variety of funding sources to ensure that short-term and long-term liquidity is maintained.

Mitigation

The Bupa Group commits to maintaining an appropriate level of undrawn headroom through a £900million committed bank facility which expires in September 2013. The Group has joint and several liability for all obligations under this agreement. In addition, Bupa Group has access to a variety of debt capital markets including the senior and hybrid bond markets. Bupa is committed to maintaining an appropriate investment grade rating and monitors key financial ratios, such as gearing and interest cover.

Clinical risk

Impact

Bupa is dedicated to ensuring its customers are treated and cared for according to evidence based best practice, high patient safety and clinical standards. Failure to fulfil these obligations could lead to significant financial, regulatory and reputational impact.

Mitigation

The Group has a medical director responsible for ensuring clinical quality and governance within the business and is professionally accountable to the Group Medical Director (GMD) for clinical governance; the GMD has been nominated as the senior manager, independent from the business, who takes overall responsibility on behalf of the Bupa Group, for the oversight of systems and controls relating to clinical governance. The Bupa Board has a Medical Advisory Panel (MAP) chaired by Professor Sir John Tooke, which advises it on medical issues and considers external perspectives from a number of leading clinicians and health professionals to help inform and develop Bupa's approach. The GMD provides a quarterly report on clinical governance to the MAP with an annual report also going to the Bupa Board; this annual report makes commendations and recommendations for improvements. The MAP receives summary information regarding clinical incidents and the results of clinical audits undertaken across the Bupa Group.

Directors' report (continued)

2. Business review (continued)

People

Impact

As Bupa changes and grows, it needs to make sure it has the right people to move the Bupa Group forward. The Bupa Board views the development and training of Bupa's people, and the recruitment of experienced individuals from outside the Bupa Group, as central to the organisation's future success.

Mitigation

Bupa has sound selection, evaluation and reward processes to recruit, develop, recognise and motivate strong performance and has a structured succession planning process.

Change management

Impact

Like all major organisations, Bupa has an ongoing programme of change and development to drive continued improvement in the products and services it provides. Should these changes be managed ineffectively, the risk of failure to deliver the intended benefits may be increased.

Mitigation

Bupa mitigates the risk inherent in change by having stringent change management procedures. Major project expenditure on new developments is approved by the Bupa Board following a rigorous assessment of plans. Professional programme management resources are used and the internal audit function reviews the impact of major changes on Bupa's operational controls. Progress on key projects is reviewed by the Audit, Risk & Compliance Committee or the Bupa Board.

Information technology

Impact

The services provided by the Group are underpinned by information technology systems and infrastructure that enable the delivery of core processes and products. Failure of these systems may reduce the ability of the Group to deliver products and services to its customer base or increase the risk of information security breaches.

Mitigation

Bupa has a number of dedicated IT teams who are responsible for the development, maintenance and monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the levels of services required by the business and adequately protect sensitive customer and business data. Bupa has a dedicated information technology risk management function which monitors and manages specific risks across the information technology estate, reporting to both senior management and Bupa Group Risk on a routine basis.

3. Conversion to International Financial Reporting Standards

The consolidated accounts have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS). The Company is not required to report under IFRS and therefore the Company's financial statements are prepared in accordance with applicable UK Generally Accepted Accounting Principles (UK GAAP). The Company financial statements are presented on pages 46 to 56.

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Directors' report (continued)

4. Directors

Details of the present Directors and any other persons who served as a Director during the year and subsequently are set out below:

N R Taylor		
M Ellerby		
N T Beazley		
F D Gregory	resigned	21 June 2010
M A Merchant		
G Pueyo Roberts	appointed	31 March 2010
S M Los	appointed	21 June 2010
A V Morales	resigned	31 March 2010

5. Employees and remuneration

Details of the number of persons employed and gross remuneration are contained in note 5 of the financial statements.

The Group continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Group's performance through management channels, in-house magazines and by way of attendance at internal seminars and training programmes. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

The Group is committed to providing equal opportunities to employees. The Group continues to pursue its stated policy of giving every consideration to the employment of disabled persons. Employees who are registered disabled persons are to the greatest possible extent treated on the same basis as all other employees and given every opportunity to develop their full working potential within the Group through training career development and promotion. Where employees have become disabled whilst in the service of the Group every effort is made to rehabilitate them in their former occupation or some suitable alternative.

6. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

7. Political and charitable contributions

The Group made no political or charitable donations during the year (2009: £nil)

8. Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of their terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 December 2010 were equivalent to 26 (2009: 26) days purchases, based on the average daily amount invoiced by suppliers during the year.

9. Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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Directors' report (continued)

10. Corporate governance

The Company was a wholly owned subsidiary of Bupa during the year. A statement on Bupa corporate governance policies and the report of the remuneration committee are included in Bupa's annual report and accounts.

11. Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Registered Office:

Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

1 April 2011

M Ellerby
Director

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRS and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their surplus or deficit for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS;
- for the parent Company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

M Ellerby
Director
1 April 2011

Independent auditors' report to the members of Bupa Care Homes (CFG) plc

We have audited the financial statements of Bupa Care Homes (CFG) plc for the year ended 31 December 2010 set out on pages 10 to 56. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2010 and of the Group's profit and the parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 8, in relation to going concern

Johnathan Pass
Senior Statutory Auditor
for and on behalf of
KPMG Audit Plc
Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street, Leeds
West Yorkshire, LS14DW
1 April 2011

Bupa Care Homes (CFG) plc
Financial statements
Year ended 31 December 2010

Consolidated income statement

	Note	2010 £'000	2009 £'000
Revenue	2	537,612	530,961
Operating expenses			
Before exceptional items	4	(481,139)	(469,968)
Exceptional items	4	(6,082)	-
		(487,221)	(469,968)
Operating surplus		50,391	60,993
Income from shares in Group undertakings	7	7,871	-
Financial income	8	4,853	12,778
Financial expenses	9	(12,629)	(17,469)
Surplus on ordinary activities before taxation expense		50,486	56,302
Taxation expense	10	(15,586)	(17,749)
Surplus for the financial year attributable to equity holders of the parent Company		34,900	38,553

The operating surplus is all derived from continuing operations.

There were no material differences between reported surpluses and deficits and historical surpluses and deficits on ordinary activities before and after taxation.

The accounting policies and notes on pages 15 to 45 form part of these financial statements.

Bupa Care Homes (CFG) plc
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Consolidated statement of comprehensive income

	Note	2010 £'000	2009 £'000
Surplus for the financial year		34,900	38,553
Other comprehensive income/(expense):			
Unrealised gain/(loss) on revaluation of properties		37,007	(10,194)
Actuarial gain/(loss) on pension schemes	20	400	(2,003)
Taxation (charge)/credit on income and expenses recognised directly in other comprehensive income		(7,742)	3,410
Other comprehensive income/(expense) for the financial year, net of taxation		29,665	(8,787)
Total comprehensive income for the financial year attributable to equity holders for the parent Company		64,565	29,766

The accounting policies and notes on pages 15 to 45 form part of these financial statements.

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Consolidated balance sheet
as at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible assets	12	8,174	8,140
Property, plant and equipment	13	656,822	618,851
Other investments	14	23,155	23,155
Deferred taxation assets	21	692	476
Other receivables	15	215,546	323,314
		904,389	973,936
Current assets			
Inventories	16	461	3,263
Trade and other receivables	17	88,085	185,660
Cash and cash equivalents	18	12,500	8,031
		101,046	196,954
Total assets		1,005,435	1,170,890
Non-current liabilities			
11.8% debenture stock	19	(50,000)	(50,000)
Amounts owed to Bupa Group undertakings	30	(95,863)	(257,158)
Post employment benefits liability	20	(872)	(1,647)
Deferred taxation liabilities	21	(55,040)	(49,787)
Provisions for liabilities and charges	22	(83)	(97)
Preference shares	23	(70,000)	(70,000)
		(271,858)	(428,689)
Current liabilities			
Provision for liabilities and charges	22	(24)	(24)
Current taxation liabilities		(9,681)	(7,619)
Trade and other payables	25	(178,602)	(253,853)
		(188,307)	(261,496)
Total liabilities		(460,165)	(690,185)
Net assets		545,270	480,705
Equity			
Share capital	26	40,553	40,553
Share premium		114,141	114,141
Merger reserve		16,963	16,963
Capital redemption reserve		2,110	2,110
Revaluation reserve		232,625	203,252
Income and expenditure reserve		138,878	103,686
Total equity attributable to the holders of the parent Company		545,270	480,705

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

N R Taylor
Director

1 April 2011

Registered number: 1969735

The accounting policies and notes on pages 15 to 45 form part of these financial statements.

Bupa Care Homes (CFG) plc
Financial statements
Consolidated statement of cash flows

	Note	2010	2009
		£'000	£'000
Net cash generated from operating activities	27	80,176	81,112
Cash flows from investing activities			
Purchase of separately acquired intangible assets		(676)	(67)
Purchase of property, plant and equipment		(20,321)	(27,631)
Interest received		98	5
Net cash used in investing activities		(20,899)	(27,693)
Cash flows from financing activities			
Net loans to Group undertakings		(54,808)	(6,821)
Dividends paid		-	(45,000)
Net cash used in financing activities		(54,808)	(51,821)
Net increase in cash and cash equivalents		4,469	1,598
Cash and cash equivalents at beginning of year		2,170	572
Cash and cash equivalents at end of year	27	6,639	2,170

The accounting policies and notes on pages 15 to 45 form part of these financial statements.

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Consolidated statement of changes in equity
31 December 2010

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve fund £'000	Revaluation reserve £'000	Income and expenditure reserve £'000	Total equity £'000
At 1 January 2010		40,553	114,141	16,963	2,110	203,252	103,686	480,705
Surplus for the financial year		-	-	-	-	-	34,900	34,900
Other comprehensive income/(expense)								
Unrealised gain on revaluation of properties		-	-	-	-	37,007	-	37,007
Actuarial gain on pension scheme	20	-	-	-	-	-	400	400
Taxation charge on income and expense recognised directly in other comprehensive income	10	-	-	-	-	(7,634)	(108)	(7,742)
Other comprehensive income for the year, net of taxation		-	-	-	-	29,373	292	29,665
Total comprehensive income/(expenses) for the year		-	-	-	-	29,373	35,192	64,565
At 31 December 2010		40,553	114,141	16,963	2,110	232,625	138,878	545,270
31 December 2009								
	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve fund £'000	Revaluation reserve £'000	Income and expenditure reserve £'000	Total equity £'000
At 1 January 2009		40,553	114,141	16,963	2,110	210,708	111,464	495,939
Surplus for the financial year		-	-	-	-	-	38,553	38,553
Other comprehensive (expense)/income								
Unrealised loss on revaluation of properties		-	-	-	-	(10,194)	-	(10,194)
Actuarial loss on pension scheme	20	-	-	-	-	-	(2,003)	(2,003)
Realised gain transferred to income and expenditure		-	-	-	-	(111)	111	-
Taxation credit on income and expense recognised directly in other comprehensive income	10	-	-	-	-	2,849	561	3,410
Other comprehensive expense for the year, net of taxation		-	-	-	-	(7,456)	(1,331)	(8,787)
Total comprehensive (expenses)/income for the year		-	-	-	-	(7,456)	37,222	29,766
Dividend paid		-	-	-	-	-	(45,000)	(45,000)
At 31 December 2009		40,553	114,141	16,963	2,110	203,252	103,686	480,705

The accounting policies and notes on pages 15 to 45 form part of these financial statements.

Bupa Care Homes (CFG) plc
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Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General Information

Bupa Care Homes (CFG) plc (the “Company”), the parent company of the Group, is a company incorporated in England and Wales. The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiary companies (together referred to as the “Group”).

The Group’s consolidated financial statements are prepared under IFRS. The appropriate provisions of the Companies Act have also been complied with.

The financial statements were approved by the Directors on the 1 April 2011. The Board of Directors has reviewed and approved the Group’s accounting policies, a summary of the slightly more significant of which are set out below and which have been applied consistently. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the parent Company.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS and approved by the Directors.

Basis of preparation

The financial statements are prepared on a going concern basis, and under the historical cost convention, as modified by the revaluation of property and financial investments available for sale.

Going concern

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 the forecasts based on the Group’s three year plan for the period 2011 to 2013, which take account of reasonably possible changes in trading performance.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

The Group meets its day to day working capital requirements through an intercompany financial arrangement with the Bupa Group. The Bupa Group maintains significant cash balances to meet its day to day working capital requirements. The Bupa Group’s medium term financing requirements are funded by these balances and bank loans drawn under the Bupa Group’s £900million committed bank facility, which matures in September 2013.

New financial reporting requirements

All newly effective financial reporting standards applicable to the Group for the first time for the year ended 31 December 2010 have been reviewed and it has been concluded that they have no impact on the financial statements of the Group.

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Accounting policies (continued)

Financial reporting standards applicable to the Group for future financial periods

The following interpretation has been issued and endorsed by the European Union but is not effective for the year ended 31 December 2010, and has not been early adopted by the Group. The Group has reviewed the effect of all other amendments to the IFRS and interpretations effective for accounting periods beginning on or after 1 January 2011 and does not expect them to have an impact on the financial statements of the Group.

The amendment to International Financial Reporting Interpretation Committee 14: “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (IFRIC 14) is effective for periods beginning on or after 1 January 2011. The amendment applies in the limited circumstances where an entity’s defined benefit pension scheme is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. This amendment permits the entity to treat the benefit of these early payments as an asset. The Group is currently reviewing the impact of this on its financial statements.

Business combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group’s share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Subsidiary companies

Subsidiary companies include all entities over which the Group or Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities. Investments in subsidiary companies are carried at cost less impairment in the Company’s accounts. Dividends received from subsidiaries are recognised in the income statement when the right to receive the dividend is established.

Subsidiary companies are included in the consolidated financial statements using the purchase method, from the date that control commences until the date that control ceases. Transactions between Group companies are on commercial terms. Intra Group balances and any gains, losses, income and expenses arising from intra Group transactions are eliminated in preparing the consolidated financial statements. Non-controlling interests in the net assets of subsidiaries are identified separately from the Group’s equity. Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the non-controlling shareholder’s share of changes in equity since this date.

Revenue

Revenue represents income receivable from health and care provision services rendered and goods supplied.

Revenue is stated net of value added taxation and other sales taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised in the accounting period in which the Group obtains the right to consideration in exchange for its performance.

Financial income and expenses

Financial expenses include interest payable on borrowings.

Financial income comprises interest receivable on funds invested.

Interest income and expenses are recognised in the income statement as they accrue.

Accounting policies (continued)

Taxation

Income taxation on the surplus or deficit for the year comprises current and deferred taxation. Income taxation is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current taxation is the expected taxation payable on the taxable surplus for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects, neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group can settle its current taxation assets and liabilities on a net basis.

Segmental reporting

The Group determines and presents its reportable segments based on information that internally is provided to the directors who together fulfil the function of the Group's chief operating decision makers.

A reportable segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including inter segment transactions. The reportable segments reflect the Group's main operating divisions. The divisional structure is defined by the different products and services provided by each division and the geographic areas in which they operate. Discrete financial information is available for these segments and is reviewed regularly by the Group's chief operating decision makers to monitor the results of the business, assess performance and make decisions about the allocation of resources.

Segment results that are reported to the Group's chief operating decision makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated results comprise mainly income and expenses which cannot be specifically allocated to the reportable segments.

Non-current assets acquired by the reportable segments, as reported to the Group's chief operating decision makers, is the total cost of additions to intangible assets, property, plant and equipment and investment property, but excludes assets acquired through business combinations and other intangible assets arising on business combinations.

The accounting policies of the reportable segments are the same as those for the Group as a whole. Any transactions between reportable segments are on commercial terms.

Geographical information is also presented. Segment revenues are based on the geographical source of revenues and segment non-current assets are based on the geographical location of the assets.

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Accounting policies (continued)

Current/non-current classification

Assets and liabilities are classified as current if they are expected to be realised within twelve months from the balance sheet date, the primary purpose of the asset or liability is to be traded or, for loans and receivables, where they have a maturity of less than twelve months from the balance sheet date. All other assets and liabilities are classified as non-current.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary company or associated company at the date of business combination. Where goodwill can only be determined on a provisional basis for a financial year, adjustments may be made to this balance for up to twelve months from the date of business combination.

Goodwill arising on business combinations is capitalised and presented as part of intangible assets in the consolidated balance sheet. Goodwill is stated at cost less accumulated impairment losses. Impairment reviews are performed annually, or more frequently if there is an indication that the carrying value may be impaired. Impairment reviews are performed at the level of the relevant cash generating unit.

Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Any excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost that arises on an acquisition is recognised immediately in the income statement.

Goodwill arising on business combinations before the date of transition to IFRS and capitalised in the balance sheet has, at the date of transition, been retained at the amount recorded previously under UK GAAP, subject to impairment testing. Goodwill previously written off to reserves under UK GAAP (on business combinations prior to 31 December 1997) remains eliminated against reserves and is not included in calculating any subsequent profit or loss on disposal.

Other intangible assets

Intangible assets, other than goodwill, that are acquired separately are stated at cost less accumulated amortisation and impairment. Amortisation is charged to the income statement on a straight line basis as follows:

Computer software	3 to 7 years
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Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement to reduce the carrying amount to recoverable amount.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations performed by external independent valuers, less subsequent depreciation and impairment losses. The valuations are performed with sufficient regularity to ensure that the carrying value does not differ significantly from fair value at the balance sheet date. Directors' impairment reviews are performed in interim years where impairment indicators exist. Valuations of care homes are on an existing use basis. Valuations of office buildings are on an open market value basis. Borrowing costs relating to the acquisition on construction of qualifying assets are capitalised as part of the cost of that asset. All other plant and equipment is stated at historic cost less subsequent depreciation.

Gains and losses on revaluation are recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the income statement. Where a revaluation reverses deficits taken to the income statement in prior years, then it is credited to the income statement.

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Accounting policies (continued)

Depreciation

Freehold land and assets under construction, included within freehold or leasehold properties as appropriate, are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight line method to allocate cost or revalued amount less residual values over estimated useful lives, as follows:

Freehold buildings	50 years
Leasehold buildings	shorter of useful life and terms of the lease
Fixtures, fittings and equipment	3 to 50 years

The assets' residual values and useful lives are reviewed, where significant, at each balance sheet date and adjusted if appropriate.

Impairment reviews are undertaken where there are indications that the carrying value may not be recoverable. An impairment loss on assets carried at cost is recognised in the income statement to reduce the carrying value to the recoverable amount. An impairment loss on assets carried at revalued amount is recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the income statement.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets obtained under finance leases are capitalised within property, plant and equipment at fair value at acquisition or, if lower, at the present value of the minimum lease payments and depreciated over the shorter of their useful economic lives and the lease term.

Obligations relating to finance leases, net of finance charges in respect of future periods, are included within other interest bearing liabilities. The interest element of the obligation is allocated over the lease term to reflect a constant rate of interest on the outstanding obligation.

Leasehold land, where no option to obtain title exists, is treated as an operating lease.

Payments made under operating leases are recognised as prepayments within trade and other receivables and are recognised in the income statement on a straight line basis over the term of the lease.

Financial investments

The Group has classified its financial investments into the following categories: available for sale and loans and receivables. Management determines the classification at initial recognition.

All financial investments are initially recognised at fair value, which includes transaction costs for financial investments not classified as at fair value through profit or loss. Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available for sale

Available for sale financial investments are those intended to be held for an undisclosed period of time which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices.

Available for sale financial investments are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Changes in fair value are recognised in other comprehensive income whilst an investment is held, and are subsequently transferred to the income statement upon sale or derecognition of the investment.

Bupa Care Homes (CFG) plc
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Accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a borrower or customer with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers.

Loans and receivables are carried at amortised cost calculated using the effective interest method, less impairment losses.

Trade and other receivables

Trade and other receivables are carried at amortised cost less impairment.

Impairment of financial investments

Financial assets comprise investment properties, financial investments and trade and other receivables. If they are not already held at fair value, financial investments are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate at the date the investment was made.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average method, and includes costs incurred in acquiring the inventories and in bringing them to their current location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other highly liquid investments (including money market funds) with original maturities of three months or less and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Provisions for liabilities and charges

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation that can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and other payables

Trade and other payable, excluding derivative liabilities, are carried at amortised cost. Derivative liabilities are stated at fair value.

Employee post employment benefits

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution pension schemes

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Accounting policies (continued)

Employee post employment benefits (continued)

Defined benefit pension schemes

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

The charge to the income statement for defined benefit schemes represents the following: current service cost calculated on a projected unit credit method, the expected return on scheme assets, less the interest cost on scheme liabilities, and gains and losses on curtailments.

All actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

Interest bearing liabilities

Interest bearing liabilities are recognised initially at proceeds receivable less attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The amortised cost of borrowings with a corresponding fair value hedge is amended for the fair value of the risk being hedged.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The estimates and assumptions are based on historical experience and other related variables, updated to reflect current trading performance. The estimates and assumptions are reviewed on an ongoing basis and are considered to be prudent and appropriate but actual results may differ from these estimates. Judgements made by management in applying the Group's accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in subsequent periods, are described below:

- Pension assumptions: Note 20 details the estimation techniques involved in calculating the Group's net pension asset or liability.
- Goodwill impairment: Note 12 contains information about the assumptions and estimates used to calculate the impairment of goodwill.
- Property valuations: The Group's properties are valued with regard to their trading potential. Valuations are performed by independent, external valuers who incorporate assumptions. The principal assumptions relate to: quantifying a fair, maintainable level of trade and profitability; levels of competition; and assumed ability to renew existing licences, consents, certificates or permits.
- Income taxes: The Group is subject to income taxes in the United Kingdom. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. Where the final taxation outcome is different from the amount that was initially recorded, the difference is recognised in the period in which such determination is made.
- Provisions: Provisions for onerous leases are subject to an element of uncertainty as they include assumptions in respect of future operating costs and the Group's ability to sublet.

The areas of judgement made in the process of applying the Group's accounting policies to categorise how transactions are displayed and that have the most significant effect on the amounts recognised in the financial statements are:

- determining the nature of intangible assets arising on business combinations and period of amortisation;
- determining whether a substantial transfer of risks and rewards has occurred in relation to leased assets; and
- determining the necessary taxation provision where the effect of taxation laws and regulations is unclear.

Bupa Care Homes (CFG) plc
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Notes to the financial statements

1. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Grupo Bupa Sanitas S.L., a company incorporated in Spain.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited, a company incorporated in England and Wales. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc, a company incorporated in England and Wales.

Copies of the accounts of both companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

2. Revenue

An analysis of the Group revenue is as follows:

	2010	2009
	£'000	£'000
Fees	533,650	524,593
Property development revenue	3,962	6,368
	<hr/> 537,612	<hr/> 530,961

3. Segmental Information

For management purposes, the Group is currently organised into two operating divisions – health care and property development. The principal activities are 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.

Segment information about these businesses is presented below:

2010	Health care	Property	Total
	£'000	development	£'000
		£'000	
Revenue			
External sales	533,650	3,962	537,612
Segment result			
Operating surplus			
Before exceptional items	56,220	253	56,473
Exceptional items	(6,082)	-	(6,082)
	<hr/> 50,138	<hr/> 253	<hr/> 50,391
Income from shares in Group undertakings			7,871
Financial income			4,853
Financial expenses			<hr/> (12,629)
Surplus before taxation expense			50,486
Taxation expense			<hr/> (15,586)
Surplus after taxation			<hr/> 34,900

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Notes to the financial statements (continued)

3. Segmental Information (continued)

Other information

2010	Health care £'000	Property development £'000	Total £'000
Assets acquired	25,804	-	25,804
Depreciation and amortisation	23,828	-	23,828
Impairment losses recognised in income	978	-	978
Assets and liabilities			
Segment assets	1,002,870	2,565	1,005,435
Segment liabilities	(460,031)	(134)	(460,165)
2009			
	Health care £'000	Property development £'000	Total £'000
Revenue			
External sales	524,593	6,368	530,961
Segment result			
Operating surplus	60,690	303	60,993
Financial income			12,778
Financial expenses			(17,469)
Surplus before taxation expense			56,302
Taxation expense			(17,749)
Surplus after taxation			38,553
2009			
	Health care £'000	Property development £'000	Total £'000
Assets acquired	22,698	-	22,698
Depreciation and amortisation	24,021	-	24,021
Impairment losses recognised in income	2,558	-	2,558
Assets and liabilities			
Segment assets	1,167,804	3,086	1,170,890
Segment liabilities	(689,347)	(838)	(690,185)

Geographical segments

The Group's operations are located in the United Kingdom.

Bupa Care Homes (CFG) plc
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Notes to the financial statements (continued)

4. Operating expenses

	2010	2009
	£'000	£'000
Amortisation of other intangible assets	642	46
Impairment losses on revaluation of properties	978	2,558
Depreciation charge	23,186	23,975
Inventories consumed	3,035	2,486
Property cost	28,850	29,596
Catering costs	21,237	20,893
Operating lease rentals		
- Plant and equipment	540	770
- Land and buildings	43,402	36,768
Staff costs	306,695	299,654
Other operating expenses (including auditor remuneration)	52,574	53,222
Before exceptional items	481,139	469,968
Exceptional items		
Written off intercompany balances	6,082	-
	487,221	469,968

Following the strike off of some fellow Group undertakings, the balance of £6,082,000 (2009: £nil) due from these companies has been written off.

5. Staff costs and Directors' remuneration

(i) Staff costs

The average number of persons employed by the Group during the year (including Directors), analysed by category, was as follows:

	2010	2009
Health care	17,430	17,035
Property development	15	15
	17,445	17,050

Their aggregate remuneration comprised:

	2010	2009
	£'000	£'000
Wages and salaries	281,676	275,152
Social security costs	22,836	22,230
Other pension costs	2,183	2,272
	306,695	299,654

(ii) Directors' remuneration

Emoluments

	2010	2009
	£'000	£'000
Aggregate emoluments	1,333	1,075
Company contributions paid to money purchase schemes	-	-

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Notes to the financial statements (continued)

5. Staff costs and Directors' remuneration (continued)

(ii) Directors' remuneration (continued)

Long Term Incentive Plan

	2010	2009
	£'000	£'000
Amounts payable	340	728

Pensions

	2010	2009
Members of money purchase pension schemes	-	-
Members of defined benefit pension schemes	2	2

Amounts in respect of highest paid director

	2010	2009
	£'000	£'000
Emoluments	1,030	1,247
Company contributions to money purchase pension schemes	-	-
Accrued pension at year end	132	109

Amounts paid in respect of the Long Term Incentive Plan (LTIP) were earned during a two year plan period, with 60% of the total fund value paid in April of year three and 40% paid in April of year five.

6. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2010	2009
	£'000	£'000
Fees for the audit of the Company's annual accounts	8	4
Fees for the audit of the Company's subsidiary undertakings	164	137
	172	141

Fees for the audit of the Company and subsidiary undertakings represent the amount receivable by the Group's auditors. The amount may not be borne by the Group.

Fees paid to the Group's auditor KPMG Audit plc, and its associates for services other than the statutory audit of the Group are not disclosed in these accounts since the consolidated accounts of Bupa, the ultimate parent undertaking, disclose non-audit fees on a consolidated basis.

7. Income from shares in Group undertakings

	2010	2009
	£'000	£'000
Ordinary dividends	7,871	-

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Notes to the financial statements (continued)

8. Financial income

	2010	2009
	£'000	£'000
Bank deposits	98	5
Loans to Group undertakings	4,755	12,773
	<hr/> 4,853	<hr/> 12,778

9. Financial expenses

	2010	2009
	£'000	£'000
Bank loans and overdrafts	91	70
Debenture stock	5,900	5,900
Loans from Group undertakings	2,263	7,124
Preference dividend	4,375	4,375
	<hr/> 12,629	<hr/> 17,469

10. Taxation expense

(i) Recognised in the income statement

	2010	2009
	£'000	£'000
Current taxation expense/(income)		
UK taxation on income for the year	18,250	20,707
Adjustments in respect of prior periods	41	(66)
	<hr/> 18,291	<hr/> 20,641
Deferred taxation expense/(income)		
Origination and reversal of temporary differences	(3,194)	(3,108)
Adjustments in respect of prior periods	489	216
	<hr/> (2,705)	<hr/> (2,892)
Taxation expense	<hr/> 15,586	<hr/> 17,749

Bupa Care Homes (CFG) plc
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Notes to the financial statements (continued)

10. Taxation expense (continued)

(ii) Reconciliation of effective taxation rate

	2010	2009
	£'000	£'000
Surplus before taxation expense	50,486	56,302
Taxation at the domestic UK corporation taxation rate of 28.0% (2009: 28.0%)	14,136	15,765
Effects of:		
Changes in taxation rate	847	-
Expenses not deductible for tax purposes	2,367	2,614
Transfer pricing adjustment	-	14
Adjustments to taxation in respect of prior periods	41	(66)
Deferred taxation on short-term and other timing differences	(1,368)	(794)
Adjustments in respect of deferred taxation of prior periods	(437)	216
Taxation expense on continuing activities at the effective rate of 30.9% (2009: 31.5%)	15,586	17,749

(iii) Current and deferred taxation recognised directly in other comprehensive income

	2010	2009
	£'000	£'000
Deferred taxation charge/(credit) in respect of:		
Unrealised gains/(loss) on revaluation of properties	7,634	(2,849)
Actuarial gain/(loss) on pension schemes	108	(561)
Taxation charge/(credit) reported in other comprehensive income	7,742	(3,410)

11. Dividends

	2010	2009
	£'000	£'000
Equity - ordinary		
Interim paid per ordinary share £nil (2009: 27.7p)	-	45,000

No final dividend is proposed for the year.

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Notes to the financial statements (continued)

12. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2010	18,223	1,223	19,446
Additions	-	676	676
At 31 December 2010	18,223	1,899	20,122
Amortisation and impairment losses			
At 1 January 2010	10,899	407	11,306
Amortisation for the year	-	642	642
At 31 December 2010	10,899	1,049	11,948
Net book value			
At 31 December 2010	7,324	850	8,174
At 1 January 2010	7,324	816	8,140
Cost			
At 1 January 2009	18,223	4,639	22,862
Additions	-	67	67
Transfer to property, plant and equipment	-	(3,483)	(3,483)
At 31 December 2009	18,223	1,223	19,446
Amortisation and impairment losses			
At 1 January 2009	10,899	3,788	14,687
Amortisation for the year	-	46	46
Transfer to property, plant and equipment	-	(3,427)	(3,427)
At 31 December 2009	10,899	407	11,306
Net book value			
At 31 December 2009	7,324	816	8,140
At 1 January 2009	7,324	851	8,175

Goodwill arising on acquisition before the date of transition to IFRS and capitalised on the balance sheet has been retained at the amount recorded previously under UK GAAP.

Notes to the financial statements (continued)

12. Intangible assets (continued)

Goodwill impairment

Goodwill is tested at least annually for impairment by comparing the net carrying value with the recoverable amount using value in use calculations. In arriving at the value in use for each cash generating unit (CGU), key assumptions have been made regarding future projected cash flows, discount rates and terminal growth rates.

Cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Taxation has been applied to the pre-taxation management operating profits based on the statutory taxation rates in the UK. Future post-taxation cash flows have been discounted at a post-taxation discount rate of 9.0%. The discount rates used for the value in use calculations for each of the Group's CGUs are an estimate of a market assessment of the time value of money and the risks inherent and within the Group's business plans. Cash flow projections beyond the three year period have been extrapolated by applying a terminal growth rate of 3.0%. The terminal growth rate represent management's best estimate of the long term growth rate, taking into account both the future and past growth rates and external sources of data. They are conservative estimates which do not exceed the long term average growth rate for the industry.

A sensitivity analysis has been performed on the key assumptions used to determine the value in use as at 31 December 2010. Management believes that no reasonably possible change in any of the assumptions would cause the carrying value of any goodwill with an indefinite useful life to exceed its recoverable amount.

13. Property, plant and equipment

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2010	576,147	230,676	806,823
Additions	1,791	23,337	25,128
Revaluations	(4,817)	-	(4,817)
At 31 December 2010	573,121	254,013	827,134
Depreciation			
At 1 January 2010	36,763	151,209	187,972
Charge for the year	7,408	15,778	23,186
Adjustments on revaluation	(40,846)	-	(40,846)
At 31 December 2010	3,325	166,987	170,312
Net book value			
At 31 December 2010	569,796	87,026	656,822
At 1 January 2010	539,384	79,467	618,851
Leased assets included above:			
Net book value			
At 31 December 2010	67,808	-	67,808
At 1 January 2010	65,024	-	65,024

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Notes to the financial statements (continued)

13. Property, plant and equipment (continued)

The Group's freehold land and buildings were independently valued by Knight Frank, Chartered Surveyors in accordance with Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The valuations were effective from 31 December 2010. The principal assumptions inherent in such valuations are described in the accounting policies. These valuations were incorporated into the balance sheet as of 31 December 2010.

A £37.0million revaluation gain (2009: £10.2million deficit) has been recognised in the revaluation reserve. In 2010, a net deficit of £1.0million (2009: £2.6million) below historical cost was charged to the income statement.

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2009	575,002	208,336	783,338
Additions	3,774	18,857	22,631
Transfer from intangible assets	-	3,483	3,483
Revaluations	(2,629)	-	(2,629)
At 31 December 2009	576,147	230,676	806,823
Depreciation			
At 1 January 2009	17,689	132,758	150,447
Charge for the year	8,951	15,024	23,975
Transfer from intangible assets	-	3,427	3,427
Impairment losses	10,123	-	10,123
At 31 December 2009	36,763	151,209	187,972
Net book value			
At 31 December 2009	539,384	79,467	618,851
At 1 January 2009	557,313	75,578	632,891
Leased assets included above:			
Net book value			
At 31 December 2009	65,024	-	65,024
At 1 January 2009	63,155	-	63,155

Bupa Care Homes (CFG) plc
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Notes to the financial statements (continued)

13. Property, plant and equipment (continued)
Analysis of cost or valuation of land and buildings:

	2010	2009
	£'000	£'000
At open market value	563,839	543,065
At cost	9,282	16,427
Aggregate depreciation thereon	(3,325)	(20,108)
	569,796	539,384

If land and buildings had not been revalued they would have been included at the following amounts:

	2010	2009
	£'000	£'000
Historical cost of revalued assets	288,899	287,108
Depreciation based on historical cost	(60,637)	(54,859)
Historical cost net book value	228,262	232,249

14. Investments
Other investments

	2010
	£'000
At 1 January 2010 and 31 December 2010	23,155

The Group acquired 11% of the shares of ANS 2003 Limited (formerly ANS 2003 plc) in September 2005 for a consideration of £23.2million from fellow Group undertakings. The Directors performed a fair value calculation of the investment at 31 December 2010 and in their opinion the fair value of the investment is not significantly different to the book value.

Subsidiary companies

A list of the significant investments, including the name, country of incorporation and proportion of ownership interest is given in note 37 to the Company's financial statements.

15. Other non-current receivables

Other non-current receivables comprise:

	2010	2009
	£'000	£'000
Amounts owed by Group undertakings	215,546	323,314

The amounts owed by Group undertakings include the following loans:

	Date issued	Repayment date	Interest rate
ANS 2003 Limited (formerly ANS 2003 plc)	December 2007	No fixed repayment date	Six months LIBOR plus 20 basis points
Bupa Care Homes (ANS) Limited	December 2010	December 2020	Six months LIBOR plus 100 basis points
Bupa Investments Limited	August 2009	July 2019	Six months LIBOR plus 100 basis points

Bupa Care Homes (CFG) plc
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Notes to the financial statements (continued)

16. Inventories

	2010	2009
	£'000	£'000
Work in progress	-	3,045
Finished goods	461	218
	461	3,263

17. Trade and other receivables

Trade and other receivables due within one year comprise:

	2010	2009
	£'000	£'000
Trade receivables net of impairment losses	31,287	29,240
Amounts owed by Group undertakings	39,876	140,190
Other receivables	363	233
Prepayments and accrued income	16,559	15,923
Advance operating rental payments	-	74
	88,085	185,660

The average credit period taken on sales of goods and services provided is 19 days (2009: 19 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services rendered amounting to £3.2million (2009: £2.8million). This allowance has been determined by reference to past default experience. The Directors consider that the amount of trade and other receivables approximates their fair value. Prepayments and accrued income includes payments to Bupa Group undertakings for future services.

The ageing of trade receivables is as follows:

	2010	2009
	£'000	£'000
Neither past due nor impaired	21,808	339
0-30 days	6,886	20,441
30-60 days	2,171	7,068
60-90 days	1,299	2,576
90-120 days	646	414
Above 120 days	1,721	1,157
	34,531	31,995

The movement in the allowance for doubtful debts is as follows:

	2010	2009
	£'000	£'000
At 1 January	2,755	2,942
Impairment losses recognised	505	176
Bad debt provision released in year	(16)	(363)
At 31 December	3,244	2,755

Bupa Care Homes (CFG) plc
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Notes to the financial statements (continued)

17. Trade and other receivables (continued)

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic climate.

The credit risk on liquid funds is limited because the counterparts are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

18. Cash and cash equivalents

Bank balances and cash 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.

19. 11.8% Debenture stock

	2010	2009
	£'000	£'000
11.8% debenture stock	50,000	50,000

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 £86.8million (2009: £86.4million) of property, plant and equipment. The fair value of the 11.8% debenture stock at 31 December 2010 was £66.0million (2009: £68.1million).

20. Post employment benefits

The assets and liabilities in respect of defined benefit pension schemes are as follows:

	2010	2009
	£'000	£'000
Present value of funded obligations	(13,629)	(13,175)
Fair value of scheme assets	12,757	11,528
Net recognised liabilities	(872)	(1,647)

The Group operates several 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 by Group companies to such schemes are made in accordance with the recommendations of independent scheme actuaries of the individual schemes. Complete disclosure of each separate pension scheme's details is not practicable within this report. The key factors relating to the Group funded pension arrangements are discussed below.

Notes to the financial statements (continued)

20. Post employment benefits (continued)

The Care First Bedfordshire Limited Defined Benefit Scheme

The Group operates a defined benefit pension scheme, Care First Bedfordshire Limited Defined Benefit Scheme, for certain employees who transferred from Bedfordshire County Council and who were previously members of the relevant Local Government Superannuation Scheme (LGSS). The scheme has been established to provide benefits identical to those offered by the LGSS. Under this scheme, contributions by employees and the Company are administered by JLT Benefits Solutions Limited who are also responsible for investments management and the provision of actuarial advice. The scheme was established on 4 November 1996 and eligible staff joined the scheme with effect from the 14 July 1998. The scheme is funded to cover future pension liabilities, allowing for future earnings and pension increases. On the basis of a detailed valuation undertaken every three years and a periodic interim review, an independent actuary recommends the rates of contribution.

A full actuarial valuation was carried out at 1 July 2009 and updated to 31 December 2010 by a qualified actuary independent of the scheme's sponsoring employer. The employer contribution for the year was £303,000. An employer contribution rate of 25.7% of pensionable pay for staff members and 26.7% of pensionable pay for non staff members currently applies.

The Powys County Council Pension Fund

The Group participates in a Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary. The latest independent actuarial valuation of the Powys County Council Pension Fund took place on 31 March 2007.

The Bupa Pension Scheme

The Bupa Group operates defined benefit and defined contribution pension schemes for the benefit of staff. The Bupa pension scheme, is a defined benefit pension scheme which provides benefits based on final pensionable salary, with charges made to the income statement comprising the current service cost calculated on the projected unit method, interest cost on plan liabilities, less the expected return on plan assets and gains and losses on curtailments.

This scheme was closed to new entrants from 1 October 2002. Under this scheme, contributions by employees and the Bupa Group are administered by trustees in funds independent of the Bupa Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pensions increases. Detailed valuations and periodic interim reviews are undertaken by an independent actuary.

The last detailed triennial valuation of the Bupa Pension Scheme carried out as at 1 July 2008. The attained age method was used in the 2008 triennial valuation. On the basis of this valuation the independent actuary recommends the rate of contributions.

The Bupa pension scheme was valued as at 31 December 2010 under the requirements of International Accounting Standard 19: "Employee Benefits" (IAS 19). This valuation showed a surplus before deferred taxation of £120.6million (2009: £24.9million) with assets of £967.9million (2009: £855.7million) and liabilities of £847.3million (2009: £830.8million). It is not possible to identify the Group's share of this surplus on a consistent and reliable basis, therefore as permitted by IAS 19, the pension contributions paid by the Group relating to this scheme are charged to the income statement.

Details of the latest valuations of the scheme and main assumptions are included in the annual report and accounts of the ultimate holding company, Bupa.

In accordance with the triennial valuation dated 1 July 2008, regular employer contributions increased from 1 July 2009 to 31.9% of pensionable salaries. Prior to July 2009, regular employer contributions were paid at the rate of 26.3%, as recommended by the independent actuary in the triennial valuation dated 1 July 2005. Included in the employer contributions is 7.0% which represents the employer pension contributions paid as part of the Group's salary sacrifice arrangement, PeopleChoice Pensions. There is a corresponding reduction in wages and salaries as a result.

The total pension cost included in the income statement amounted to £253,000 (2009: £254,000). The full disclosure requirements under IAS 19 are in the Annual Report and Accounts of Bupa.

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Notes to the financial statements (continued)

20. Post employment benefits (continued)

(i) Actuarial assumptions

The assumptions used to value the post employment schemes are set by the schemes actuaries. The major financial assumptions used when valuing the obligations of the post employment benefit schemes under IAS 19 are as follows:

The Care First Bedfordshire Limited Defined Benefit Scheme
Principal financial assumptions (% per annum)

	2010	2009
Inflation rate	3.5	3.6
Rate of increase in salaries	4.0	5.6
Rate of increase to pensions in payment	3.5	3.6
Discount rate for scheme obligations	5.4	5.7
Rate of revaluation of deferred pensions of RPI or 5% if less	N/A	3.6
Rate of revaluation of deferred pensions of CPI or 5% if less	3.0	N/A
Overall expected return on scheme assets	6.2	4.9

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

In valuing the liabilities of the pension fund at 31 December 2010, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume all members of the fund lived for one year longer the value of the reported liabilities at 31 December 2010 would have increase by £191,000 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

Current pensioner aged 65: 22.3 years (male), 24.9 years (female).

Future retiree upon reaching 65: 24.3 years (male), 26.7 years (female).

The Powys County Council Pension Fund
Principal financial assumptions (% per annum)

	2010	2009
Discount rate	5.4	5.7
RPI Inflation	3.5	3.6
CPI Inflation	3.0	N/A
Rate of increase to pensions in payment	3.0	3.6
Rate of increase to deferred pensions	3.0	3.6
Rate of general increase in salaries	5.0	5.6

Principal demographic assumptions

Post retirement mortality

Males

	2010	2009
Base table in 2007	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Ratings to above base tables (years)	0	0
Scaling to above base table rates	130%	130%
Cohort improvement factors (from 2007)	80% of LC	80% of LC
Minimum underpin to improvement factors (p.a.)	1.25%	1.25%
Future lifetime from age 65 (aged 65 at accounting date)	20.9	20.8
Future lifetime from age 65 (aged 45 at accounting date)	23.1	23.0

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Notes to the financial statements (continued)

20. Post employment benefits (continued)

(i) Actuarial assumptions (continued)

Females

Base table (in 2007)	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007
Ratings to above base tables (years)	0	0
Scaling to above base table rates	130%	130%
Cohort improvement factors (from 2007)	60% of LC	60% of LC
Minimum underpin to improvement factors (p.a.)	1.25%	1.25%
Future lifetime from age 65 (aged 65 at accounting date)	22.9	22.8
Future lifetime from age 65 (aged 45 at accounting date)	25.1	25.0

31 December 2010

31 December 2009

Commutation	Each member assumed to exchange 35% of the maximum amount permitted of their pre 1 April 2008 pension entitlements. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlements.	Each member assumed to exchange 35% of the maximum amount permitted of their pre 1 April 2008 pension entitlements. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlements.
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In July 2010, the Government announced that the Consumer Price Index (CPI) should replace the Retail Price Index (RPI) as the inflation measure to use in determining the minimum pension increase that must be applied to statutory index-linked features of retirement benefits. The deferred pension obligations for both the Care First Bedfordshire and Powys scheme and the pensions in payment obligations in the Powys scheme have been re-measured using the CPI. The Group has no constructive obligation to use the RPI in the rate of pensions in deferment for the Care First Bedfordshire scheme, resulting in the impact of the change in indexation being presented as an actuarial gain in the statement of other comprehensive income. The Group has a constructive obligation to use RPI in the rate of pensions in deferment and payment in respect of the Powys scheme, the impact of the change in indexation has been presented as a past service cost through the income statement.

(ii) Present value of schemes' obligations

The movement in the present value of the schemes' obligation is:

	2010	2009
	£'000	£'000
At 1 January	13,175	9,484
Current service cost	427	435
Interest on obligations	755	603
Contributions by employees	102	125
Actuarial gains	(80)	(136)
Changes in assumptions underlying the present value of scheme liabilities	(50)	2,837
Benefits paid	(330)	(173)
Past service cost	(370)	-
At 31 December	13,629	13,175

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Notes to the financial statements (continued)

20. Post employment benefits (continued)

(iii) Fair value of schemes' assets

The movement in the fair value of the funded schemes' assets is:

	2010	2009
	£'000	£'000
At 1 January	11,528	8,857
Expected return on scheme assets	614	537
Actuarial gains	270	698
Contributions by employer	573	1,484
Contributions by employees	102	125
Benefits paid	(330)	(173)
At 31 December	12,757	11,528

The analysis of the schemes' asset and the expected return at the balance sheet date was as follows:

The Care First Bedfordshire Limited Defined Benefit Scheme

	Expected return		Fair value of assets	
	2010	2009	2010	2009
	%	%	£'000	£'000
Equity	7.9	7.3	4,469	4,043
Bonds	5.7	6.1	1,103	980
Property and other	0.5	3.0	3,085	2,985
	4.9	5.9	8,657	8,008

The Powys County Council Pension Fund

	Expected return		Fair value of assets	
	2010	2009	2010	2009
	%	%	£'000	£'000
Equity	7.7	7.9	2,009	1,500
Government bonds	4.2	4.4	800	834
Corporate bonds	5.4	5.7	463	662
Property	7.7	7.9	287	239
Cash	3.0	3.0	103	285
Other	7.7	3.0	438	-
	6.6	6.3	4,100	3,520

The scheme employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 December 2010.

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Notes to the financial statements (continued)

20. Post employment benefits (continued)

(iv) Amount recognised in the consolidated income statement

The amounts charged/(credited) to operating expenses for the year are:

	2010	2009
	£'000	£'000
Current service cost	427	435
Interest on pension scheme liabilities	755	603
Expected return on pension scheme assets	(614)	(537)
Past service cost	(370)	-
	<hr/>	<hr/>
	198	501

(v) Amount recognised directly in other comprehensive income

The amounts charged/(credited) to other comprehensive income are:

	2010	2009
	£'000	£'000
Actual return less expected return on pension assets	(270)	(698)
Experience gains and losses arising on the scheme liabilities	(80)	(136)
Changes in assumptions underlying the present value of scheme liabilities	(50)	2,837
	<hr/>	<hr/>
	(400)	2,003

The cumulative amounts of actuarial loss recognised directly in other comprehensive income are £1,893,000 (2009: £2,293,000).

(vi) History of experience gains and losses

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Present value of schemes obligations	(13,629)	(13,175)	(9,484)	(10,250)	(15,060)
Fair value of schemes assets	12,757	11,528	8,857	8,823	11,148
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net deficit	(872)	(1,647)	(627)	(1,427)	(3,912)
Experience gains and losses arising on:					
Scheme obligations	(80)	(136)	(518)	(4,878)	(72)
Scheme assets	(270)	(698)	2,095	3,724	(815)
Total amounts recognised directly in equity	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(400)	2,003	282	(1,331)	(257)

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Notes to the financial statements (continued)

21. Deferred taxation assets and liabilities

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Accelerated capital allowances	-	-	9,905	9,662	9,905	9,662
Post employment liability	(235)	(476)	-	-	(235)	(476)
Revaluation of properties to fair value	-	-	45,135	40,125	45,135	40,125
Other	(457)	-	-	-	(457)	-
Net deferred taxation (assets)/ liabilities	(692)	(476)	55,040	49,787	54,348	49,311

Deferred taxation assets relating to the carry forward of employee benefits, other provisions, unused taxation losses and other deferred taxations assets are recognised to the extent that it is probable that future taxable surpluses will be available against which the deferred taxation assets can be utilised. The deferred tax relating to revaluation of properties has reduced by £2.3million in the year due to the change in tax rate.

Unrecognised deferred taxation assets

As at 31 December 2010 the Group had deductible temporary differences relating to capital losses of £13.8million (2009: £13.8million) for which no deferred taxation asset was recognised due to uncertainty of those temporary differences.

Movement in net deferred taxation liabilities

	At 1 January 2010 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	At 31 December 2010 £'000
Accelerated capital allowances	9,662	243	-	9,905
Post employment liability	(476)	133	108	(235)
Revaluation of properties to fair value	40,125	(2,624)	7,634	45,135
Other	-	(457)	-	(457)
	49,311	(2,705)	7,742	54,348

	At 1 January 2009 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	At 31 December 2009 £'000
Accelerated capital allowances	9,230	432	-	9,662
Post employment liability	(211)	296	(561)	(476)
Revaluation of properties to fair value	46,632	(3,658)	(2,849)	40,125
Other	(38)	38	-	-
	55,613	(2,892)	(3,410)	49,311

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Notes to the financial statements (continued)

22. Provisions for liabilities and charges

	2010	2009
	£'000	£'000
Onerous lease		
At 1 January	121	176
Utilised in year	(14)	(55)
At 31 December	107	121
Non-current	83	97
Current	24	24
	107	121

The onerous lease is a non-cancellable lease for a property in Woking, Surrey. The Group has provided for lease obligations, net of sub lease receivables. The lease obligations are payable quarterly for a remaining period of six years. The future net outflows are uncertain and are affected by the Group's ability to sublet property.

23. Preference shares

The non-equity preference shares represent the entire cumulative redeemable preference shares in Bupa Care Homes (CFHCare) Limited.

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.

24. Risk management

The principal risks inherent in the Group's financing activities are:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will not have available funds to meet its liabilities when they fall due. These risks are managed by the ultimate parent company Bupa. These are disclosed in the accounts of Bupa Finance plc, an intermediate parent company.

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Notes to the financial statements (continued)

25. Trade and other payables

Trade and other payables due within one year comprise:

	2010	2009
	£'000	£'000
Trade payables	8,897	4,903
Amounts owed to Group undertakings	84,427	172,290
Other taxation and social security	6,165	5,822
Deferred income	15,991	15,300
Other payables	2,930	3,374
Accruals	58,682	50,654
Non equity dividend	1,510	1,510
	<hr/>	<hr/>
	178,602	253,853

Trade payables comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 26 (2009: 26) days. There is no material difference between the carrying amount of trade payables and their fair value.

26. Share Capital

	2010	2009
	£'000	£'000
Allotted, called up and fully paid		
162,213,958 ordinary shares of 25p each	40,553	40,553
	<hr/>	<hr/>

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Notes to the financial statements (continued)

27. Notes to the consolidated cash flow statement

	2010	2009
	£'000	£'000
Surplus before taxation expense	50,486	56,302
Adjustments for:		
Depreciation of property, plant and equipment	23,186	23,975
Impairment losses	978	2,558
Amortisation of other intangible assets	642	46
Financial income	(4,853)	(12,778)
Financial expenses	12,629	17,469
Movement in onerous lease provision	(14)	(55)
Movement in post employment benefits liability	(375)	(983)
Operating cash flows before movement in working capital	82,679	86,534
Decrease/(increase) in working capital:		
Inventories	2,802	2,464
Trade receivables	(2,047)	1,672
Other receivables	(130)	382
Prepayments and accrued income	(636)	(3,358)
Trade payables	3,994	(364)
Other taxation and social security	343	(172)
Accruals	3,216	4,380
Deferred income	691	19
Other payables	(444)	(560)
Advance operating lease rental	74	460
Cash generated from operations	90,542	91,457
Interest paid	(10,366)	(10,345)
Net cash from operating activities	80,176	81,112

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2010	2009
	£'000	£'000
Cash on hand and balances with bank	12,500	8,031
Restricted access deposits	(5,861)	(5,861)
	6,639	2,170

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 £5.9million (2009: £5.9million) as security over future operating rental payments due to Bupa LeaseCo (Guernsey) Limited.

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Notes to the financial statements (continued)

28. Commitments

Capital commitments

There were no capital commitments at the end of either year.

Operating leases

The total value of future non-cancellable operating lease rentals is payable as follows:

	2010	2009
	£'000	£'000
Less than one year	43,407	43,364
Between one and five years	171,947	173,163
More than five years	802,579	845,332
	<hr/> 1,017,933	<hr/> 1,061,859

The Group leases a number of properties under operating leases. The leases typically run for a period of 25 to 35 years, with an option to renew the lease after that date. Lease payments are reviewed regularly in accordance with the terms and conditions of the individual lease agreements. None of these leases include contingent rentals.

29. Contingent liabilities

The Group has given a guarantee and other undertakings, as part of the Group banking agreements, in respect of the overdraft of certain other Group undertakings. Under a group arrangement the Group is jointly and severally liable for Value Added Taxation due by certain other group companies.

The Group has disposed of leasehold interests in a number of close care properties in which it continues to hold a reversionary interest. In so doing, it granted the right to certain purchasers to require the Group to repurchase properties at any time in the future for a price equal to 90% of the purchase price paid for the properties concerned. These are not considered to be financing transactions, and no asset or liability is included on the balance sheet. The outstanding repurchase commitments granted by the Group in this respect amounted to £366,000 (2009: £459,000).

The obligations of the Group under operating leases which have been granted to the Group by Bupa LeaseCo (Guernsey) Limited have been guaranteed by its parent and cross guaranteed by a number of its fellow subsidiaries.

At 31 December 2010, the Company was party to a £900million revolving credit facility. The Group has joint and several liability for all obligations under the agreement.

The Group has given a guarantee in respect of a £350million bond issue by Bupa Finance plc.

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its fellow Group undertakings are disclosed below.

Trading transactions

During the year, Bupa Group undertakings entered into the following transactions with related parties who are not members of the Group:

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Notes to the financial statements (continued)

30. Related party transactions (continued)

Sales of goods and services and rental income

Sales of goods and services and rental income are as follows:

	2010	2009
	£'000	£'000
Fellow Bupa Group undertakings	11,116	7,513

Purchases of goods and services and rental charges

Purchases of goods and services and rental charges are as follows:

	2010	2009
	£'000	£'000
Bupa	26,667	22,690
Fellow Bupa Group Undertakings	40,745	33,869
	67,412	56,559

Interest received

Interest received is as follows:

	2010	2009
	£'000	£'000
Fellow Bupa Group undertakings	4,755	12,773

Interest paid

Interest paid is as follows:

	2010	2009
	£'000	£'000
Fellow Bupa Group Undertakings	2,263	7,124

Non-current other receivables

Non-current other receivables comprise:

	2010	2009
	£'000	£'000
Fellow Bupa Group undertakings	215,546	323,314

Current accounts receivable

Current accounts receivable comprise:

	2010	2009
	£'000	£'000
Fellow Bupa Group undertakings	39,876	140,190

Non-current accounts payable

Non-current accounts payable comprise:

	2010	2009
	£'000	£'000
Fellow Bupa Group undertakings	95,863	257,158

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Notes to the financial statements (continued)

30. Related party transactions (continued)

Current accounts payable

Current accounts payable comprise:

	2010	2009
	£'000	£'000
Fellow Bupa Group Undertakings	84,427	172,290

Sales and purchases of goods and services with related parties were made at market price discounted to reflect the quantity of goods purchased and the relationships between parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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Company profit and loss account

	Note	2010 £'000	2009 £'000
Amounts written off investments	37	(36,424)	-
Income from shares in Group undertakings	32	17,606	50,990
Other interest receivable and similar income	33	7,517	7,932
Interest payable and similar charges	34	(7,037)	(7,802)
(Loss)/Profit on ordinary activities before taxation		(18,338)	51,120
Taxation on (loss)/profit on ordinary activities	35	(135)	(131)
(Loss)/Profit for the year		(18,473)	50,989

The operating (loss)/profit is all derived from continuing operations.

There were no recognised gains and losses other than the loss for the financial year.

There were no material differences between reported profit and loss and historical profit and loss on ordinary activities before and after taxation.

The accounting policies and notes on pages 51 to 56 form part of these financial statements.

Bupa Care Homes (CFG) plc
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Company balance sheet
as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	37	191,065	227,489
Current assets			
Debtors			
- due within one year	38	7,518	-
- due after one year	38	86,987	97,346
		94,505	97,346
Creditors: amounts falling due within one year	39	(20)	(21,803)
Net current assets		94,485	75,543
Total assets less current liabilities		285,550	303,032
Creditors: amounts falling due after more than one year	40	(137,111)	(136,120)
Net assets		148,439	166,912
Shareholders' funds			
Called up share capital	41	40,553	40,553
Share premium account	42	114,141	114,141
Capital redemption reserve	42	2,110	2,110
Profit and loss account	42	(8,365)	10,108
Shareholders' funds	43	148,439	166,912

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

N R Taylor
Director
 1 April 2011

Registered number: 1969735

The accounting policies and notes on pages 51 to 56 form part of these financial statements.

Bupa Care Homes (CFG) plc
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Company cash flow statement

		2010	2009
		£'000	£'000
Returns on investment and servicing of finance	44	(5,900)	(5,900)
Equity dividend paid		-	(45,000)
Cash flow before financing		(5,900)	(50,900)
Financing	44	5,900	53,850
Increase in cash		-	2,950

The accounting policies and notes on pages 51 to 56 form part of these financial statements.

Bupa Care Homes (CFG) plc
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Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards.

(b) Going concern

The Company meets its day to day working capital requirements through an intercompany financing arrangement. The forecast and projections of the Bupa Group indicate that it will continue to trade profitably. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(c) Related party transactions

As the Company is a wholly owned subsidiary of the British United Provident Association Limited ("Bupa"), the Company has taken advantage of the exemption contained in Financial Reporting Standard 8: Related Party Disclosures (FRS 8) and has therefore not disclosed transactions or balances with entities which form part of the group.

(d) Taxation including deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation.

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws.

Trading losses surrendered to other Group subsidiary undertakings are made on a full payment basis.

(e) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

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Notes to the company financial statements

31. Staff costs and Directors' remuneration

None of the Directors receive any emoluments in relation to their services to the Company. The emoluments of the Directors in relation to their services to the Group are disclosed in note 5. The Company has no other employee costs during the year.

32. Income from shares in Group undertakings

	2010	2009
	£'000	£'000
Ordinary dividends	17,606	50,990

33. Other interest receivable and similar income

	2010	2009
	£'000	£'000
Loan to Group undertakings	7,517	7,932

34. Interest payable and similar charges

	2010	2009
	£'000	£'000
Loan note	5,900	5,900
Loan note from Group undertaking	1,137	1,902
	7,037	7,802

35. Tax on (loss)/profit on ordinary activities

(i) Analysis of tax charge in the year

	2010	2009
	£'000	£'000
Current tax		
UK corporation tax on (loss)/profit for the year	135	36
Adjustments in respect of prior periods	-	95
Total tax on (loss)/profit on ordinary activities	135	131

(ii) Factors affecting the tax charge

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2010	2009
	£'000	£'000
(Loss)/Profit on ordinary activities before taxation	(18,338)	51,120
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28 % (2009: 28%)	(5,134)	14,314
Effects of:		
Non taxable items	5,269	(14,278)
Adjustments in respect of prior periods	-	95
Total current tax charge for year	135	131

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Notes to the company financial statements (continued)

36. Dividends

	2010	2009
	£'000	£'000
Equity - ordinary		
Interim paid £nil per ordinary share (2009: 27.7p)	-	45,000

No final dividend was declared and paid (2009: £nil).

37. Investments

Subsidiary undertakings

	Shares in subsidiary undertaking £'000	Loans to subsidiary undertaking £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2010 and 31 December 2010	156,924	52,000	23,155	232,079
Provisions for impairment				
At 1 January 2010	4,590	-	-	4,590
Charge for year	36,424	-	-	36,424
At 31 December 2010	41,014	-	-	41,014
Net book value				
At 31 December 2010	115,910	52,000	23,155	191,065
At 1 January 2010	152,334	52,000	23,155	227,489

The Company has investments in the following subsidiary undertakings.

	Holding %	Class of shares	Country of incorporation	Principal activity
Bupa Care Homes Group Limited	100	Ordinary	England and Wales	Holding company of care homes operators
Bupa Care Homes (CFHCare) Limited*	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (CFCHomes) Limited*	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (Partnerships) Limited*	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (Bedfordshire) Limited	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (GL) Limited*	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (BNH) Limited*	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (AKW) Limited	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (Carrick) Limited	100	Ordinary	Scotland	Owner and operator of care homes
Crispins Nursing Homes Limited	100	Ordinary	England and Wales	Owner and operator of care homes
Bupa Care Homes (Developments) Limited	100	Ordinary	England and Wales	Developer of care homes
Surgichem Limited	100	Ordinary	England and Wales	Manufacturer and distributor of monitored drug dosage systems

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Notes to the company financial statements (continued)

37. Investments (continued)

Subsidiary undertakings (continued)

* Investment held by subsidiary undertaking

In addition to the companies listed above, the Company either directly or indirectly owns a number of non-trading subsidiary companies.

The £36.4million impairment during the year relates to the following subsidiary companies:

Dissolved during January 2011

Bupa Nursing Homes (1997) Limited

CHG Home Limited

Care First at Home Limited

Kyle Building Services Limited

In liquidation

Greenacre Group Limited (In Liquidation)

Greenacre Residential Retirement Homes Limited (In Liquidation)

Bupa Care Homes (CCG) Limited (In Liquidation)

Subsidiary undertakings are included at cost less provisions.

The other investments relate to 11% of the shares of ANS 2003 Limited (formerly ANS 2003 plc) acquired in September 2005 for a consideration of £23.2million from fellow Group undertakings.

38. Debtors

	2010	2009
	£'000	£'000
Amounts falling within one year:		
Amounts owed by Group undertakings	7,518	-
	2010	2009
	£'000	£'000
Amounts falling due after one year:		
Amounts owed by Group undertakings	86,987	97,346

39. Creditors – amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts owed to Group undertakings	20	21,803

40. Creditors – amounts falling after more than one year

	2010	2009
	£'000	£'000
11.8% debenture stock	50,000	50,000
Amounts owed to Group undertakings	87,111	86,120
	137,111	136,120
Loans are repayable as follows:		
In three to five years	50,000	50,000

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Notes to the company financial statements (continued)

40. Creditors – amounts falling after more than one year (continued)

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 and a first floating charge over the business attached thereto and a general floating charge over the remainder of the assets of the Company and Bupa Care Homes (CFHCare) Limited.

The amount due to Group undertakings due after more than one year relates to a loan from Bupa Blackbird Investments LLP, with no fixed repayment date and bearing interest at a rate of six months LIBOR plus 40 basis points.

41. Called up share capital

	2010	2009
	£'000	£'000
Allotted, called up and fully paid		
162,213,958 ordinary shares of 25 pence each	40,553	40,553

42. Reserves

	Share premium account £'000	Capital redemption reserve fund £'000	Profit and loss account £'000
At 1 January 2010	114,141	2,110	10,108
Loss for the year	-	-	(18,473)
At 31 December 2010	114,141	2,110	(8,365)

43. Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
(Loss)/Profit for the year	(18,473)	50,989
Dividends paid	-	(45,000)
Net (reduction in)/addition to shareholders' funds	(18,473)	5,989
Opening shareholders' funds	166,912	160,923
Closing shareholders' funds	148,439	166,912

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Notes to the company financial statements (continued)

44. Analysis of cash flow

	2010	2009
	£'000	£'000
Returns on investments and servicing of finance		
Interest paid	(5,900)	(5,900)
<hr/>		
Financing		
Borrowing to/from fellow group undertakings	5,900	53,850
<hr/>		

Cash comprises 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.

45. Analysis and reconciliation of net debt

	2010	2009
	£'000	£'000
Movement in bank loans and overdraft	-	2,950
Bank loans and overdraft at 1 January	-	(2,950)
<hr/>		
Bank loans and overdraft at 31 December	-	-
<hr/>		