

BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

(Registered No. 1587972)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003



BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

REPORT OF THE DIRECTORS
for the year ended 31 December 2003

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

1. Principal activity

The principal activity of the Company is the owning and operating of nursing and residential homes for the elderly.

2. Change of name

The Company changed its name to BUPA Care Homes (GL) Limited on 1 August 2003.

3. Review of the business

The directors consider the performance of the Company during the year to be satisfactory.

4. Results and Dividends

The profit for the year, after taxation, amounted to £1,296,000 (2002 - £1,234,000).

No dividend is proposed for 2003 (2002 - £ nil).

5. Directors and directors' interests

Details of the present directors and any other person who served as a director during the year are set out below:

J P Davies

M Ellerby

P C Ludford

R J Maclean

N R Taylor

A D Walford

M I Dugdale

O H D Thomas

A M How

(appointed 3 June 2003)

The Directors had no interests requiring disclosure under Section 234 of the Companies Act 1985.

6. Employees and remuneration

Details of the number of persons employed and gross remuneration are contained in note 3 to the financial statements.

Every effort is made by the directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance.

The Company 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 Company, through training, career development and promotion. Where employees have become disabled whilst in the service of the Company, every effort is made to rehabilitate them in their former occupation or some suitable alternative.

**BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)**

**REPORT OF THE DIRECTORS
for the year ended 31 December 2003**

7. Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office:
Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

By Order of the Board



**M Ellerby
Director**

11 March 2004

**BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BUPA CARE HOMES (GL)
LIMITED (FORMERLY GOLDSBOROUGH LIMITED)**

We have audited the financial statements on pages 5 to 18.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Ltd,

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

11 March 2004

BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	28,740	28,258
Operating expenses		<u>(28,635)</u>	<u>(30,480)</u>
Operating profit/(loss)		105	(2,222)
Income from shares in Group undertaking		157	2,299
Loss on sale of fixed assets		(34)	-
Provision for liabilities in participating interest	4	(434)	(469)
Interest receivable and similar income	5	1,840	1,897
Amounts written off investments		-	(418)
Interest payable and similar charges	6	<u>(7)</u>	<u>(31)</u>
Profit on ordinary activities before taxation	7	1,627	1,056
Tax on profit on ordinary activities	8	<u>(331)</u>	<u>178</u>
Retained profit for the financial year		<u>1,296</u>	<u>1,234</u>

The operating profit is all derived from continuing operations.

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

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

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

BALANCE SHEET
as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	9	5,703	5,410
Investments	10	784	784
		<u>6,487</u>	<u>6,194</u>
Current assets			
Debtors		64,434	66,992
Debtors due within one year	11	28,752	33,141
Debtors due after one year	11	35,682	33,851
Cash at bank and in hand		969	5,203
		<u>65,403</u>	<u>72,195</u>
Creditors: amounts falling due within one year	12	<u>(31,003)</u>	<u>(39,367)</u>
Net current assets		<u>34,400</u>	<u>32,828</u>
Total assets less current liabilities		40,887	39,022
Creditors: amounts falling due after more than one year	13	(32,500)	(32,500)
Provisions for liabilities and charges	14	<u>(2,338)</u>	<u>(1,769)</u>
		<u>6,049</u>	<u>4,753</u>
Capital and reserves			
Called up share capital	16	22,297	22,297
Revaluation reserve	17	233	233
Other reserves	17	10,136	10,136
Profit and loss account	17	<u>(26,617)</u>	<u>(27,913)</u>
Equity shareholders' funds		<u>6,049</u>	<u>4,753</u>

These financial statements were approved by the Board of Directors on 11 March 2004 and were signed on its behalf by:

N R Taylor
Director



The accounting policies and notes on pages 8 to 18 form part of these financial statements.

BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2003

	2003	2002
	£'000	£'000
Profit for the financial year and net addition to shareholders' funds	1,296	1,234
Opening shareholders' funds	<u>4,753</u>	<u>3,519</u>
Closing shareholders' funds	<u>6,049</u>	<u>4,753</u>

**BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention as modified to include the revaluation of land and buildings and on a going concern basis.

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (BUPA), a company registered in England and Wales, which publishes consolidated accounts, the Company has, pursuant to paragraph 17 of Financial Reporting Standard No 8: Related Party Disclosures (FRS 8), not included details of transactions with other companies which are subsidiary undertakings of the BUPA Group. There are no other related party transactions.

Accounting conventions

A summary of the more significant accounting policies, which have been applied consistently, is set out below.

(b) Cash flow statement

Under Financial Reporting Standard No 1: Cash flow statements (revised 1996) (FRS 1) the Company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of BUPA, a company that prepares a consolidated cash flow statement for the BUPA Group.

(c) Turnover

Turnover represents the total amount earned by the Company in the ordinary course of business for services rendered after deducting trade discounts and Value Added Tax, where applicable. All turnover arises within the United Kingdom.

(d) Fixed assets and depreciation

Freehold and leasehold properties are stated at current valuation. Other tangible assets are stated at cost. Land and buildings are valued by external valuers every three years. No depreciation is provided on freehold land and properties under construction. Other tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their useful economic lives, as follows:

Freehold buildings	- 50 years
Leasehold improvements	- term of the lease
Fixtures, fittings & equipment	- 3 to 50 years

(e) Investments

Investments in subsidiary undertakings are stated at cost with provision made for any permanent diminution in value.

**BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(f) Taxation including deferred taxation

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

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 exceptions:

- Provision is made for tax on gains arising from the revaluation of property to its fixed value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- 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.

(g) Leases

Leasing arrangements which transfer to the Company substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is shorter. The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation, and the interest element is charged against results in proportion to the capital element outstanding.

Operating lease rentals are charged against results on a straight line basis over the term of the lease.

(h) Pensions and other post-retirement benefits

Contributions to the defined contribution scheme are charged to the profit and loss account in the accounting period in which they occur.

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is BUPA Care Homes Group Limited, a company registered in England and Wales.

The ultimate parent undertaking of the Company is BUPA, a company registered in England and Wales. The group preparing consolidated accounts which include the Company is BUPA. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

BUPA CARE HOMES (GL) LIMITED
(FORMERLY GOLDSBOROUGH LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

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

	Number of employees	
	2003	2002
Health care	<u>1,356</u>	<u>1,407</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£'000	£'000
Wages and salaries	14,737	14,849
Social security costs	988	917
Other pension costs	<u>60</u>	<u>55</u>
	<u>15,785</u>	<u>15,821</u>

(b) Directors' remuneration

The emoluments of the Directors are borne entirely by the other Group companies and are disclosed in the financial statements of those companies.

4. PROVISION FOR LIABILITIES IN PARTICIPATING INTEREST

	2003	2002
	£'000	£'000
Share of liabilities in The Care Homes Partnership	<u>434</u>	<u>469</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£'000	£'000
Bank	10	67
Loan	<u>1,830</u>	<u>1,830</u>
	<u>1,840</u>	<u>1,897</u>

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans, loan notes and overdraft	<u>7</u>	<u>31</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,033	1,345
Leased	58	36
Loss on sale of fixed assets	34	-
Reversal of past impairment losses	(140)	-
Operating lease rentals:		
Plant and machinery	10	33
Land and buildings	<u>3,619</u>	<u>3,632</u>

Auditors' remuneration and amounts paid to KPMG Audit Plc and their associates for non audit services are borne by a fellow Group undertaking.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge/(credit) in the year

	2003	2002
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	429	(115)
Adjustments in respect of prior periods	<u>(233)</u>	<u>-</u>
Total current tax	196	(115)
Deferred tax		
Origination and reversal of timing differences	154	(71)
Adjustments in respect of prior periods	<u>(19)</u>	<u>8</u>
Tax on profit on ordinary activities	<u>331</u>	<u>(178)</u>

(ii) Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	<u>1,627</u>	<u>1,056</u>
Tax charge on profit on ordinary activities at 30%	488	317
Effects of:		
Expenses not deductible for tax purposes	95	(503)
Capital allowances for the period in excess of depreciation	(10)	71
Deferred tax on short term and other timing differences	(144)	-
Adjustments to tax charge in respect of prior periods	<u>(233)</u>	<u>-</u>
Total current tax charge/(credit) for the year	<u>196</u>	<u>(115)</u>

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

9. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost or valuation			
At 1 January 2003	2,292	11,922	14,214
Additions	574	675	1,249
Revaluation	(28)	-	(28)
Disposals	(1)	(275)	(276)
At 31 December 2003	<u>2,837</u>	<u>12,322</u>	<u>15,159</u>
Depreciation			
At 1 January 2003	674	8,130	8,804
Charge for the year	66	1,025	1,091
Reversal of past impairment losses	(140)	-	(140)
Adjustments on revaluation	(28)	-	(28)
Disposals	-	(271)	(271)
At 31 December 2003	<u>572</u>	<u>8,884</u>	<u>9,456</u>
Net Book Value			
At 31 December 2003	<u>2,265</u>	<u>3,438</u>	<u>5,703</u>
At 31 December 2002	<u>1,618</u>	<u>3,792</u>	<u>5,410</u>
Leased assets included above			
Net Book Value			
At 31 December 2003	<u>1,333</u>	<u>-</u>	<u>1,333</u>
At 31 December 2002	<u>721</u>	<u>-</u>	<u>721</u>

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 31 December 2003 on the basis of existing use. The valuation has been made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. These valuations were incorporated into the balance sheet at 31 December 2003. Other tangible assets are stated at cost.

The reversal of the past impairment losses arises as a result of improved performance of some homes.

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

9. TANGIBLE FIXED ASSETS (CONTINUED)

Analysis of cost or valuation of land and buildings:

	Land & buildings 2003 £'000	Land & buildings 2002 £'000
At open market value	2,340	1,312
Impairment of value	-	(494)
At cost	497	980
Aggregate depreciation thereon	<u>(572)</u>	<u>(180)</u>
Net book value	<u>2,265</u>	<u>1,618</u>
Historical cost of revalued asset	2,922	2,922
Aggregate depreciation based on historical cost	<u>(507)</u>	<u>(467)</u>
Historical cost net book value	<u>2,415</u>	<u>2,455</u>

10. INVESTMENTS

	Interests in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2003 and 31 December 2003	<u>784</u>

The principal subsidiary undertaking of the Company, and which is wholly owned and registered in England and Wales is:

	Class of share
The Yale Hospital Limited	Ordinary

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

11. DEBTORS

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	28,064	32,453
Prepayments and accrued income	<u>688</u>	<u>688</u>
	<u>28,752</u>	<u>33,141</u>
Amounts falling due after one year:		
Amount owed by Group undertakings	<u>35,682</u>	<u>33,851</u>

Prepayments and accrued income includes payments to Group undertakings for future services.

The amount owed by Group undertakings falling due after one year relates to a loan issued to BUPA Investments Limited. The loan is due in 2030 and bears interest at 6.4%.

12. CREDITORS – amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to Group undertakings	31,003	39,001
Accruals and deferred income	<u>-</u>	<u>366</u>
	<u>31,003</u>	<u>39,367</u>

13. CREDITORS – amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts owed to Group undertakings	<u>32,500</u>	<u>32,500</u>

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Participating interest £'000	Deferred taxation £'000	Total £'000
At 1 January 2003	1,641	128	1,769
Provided in the year	<u>434</u>	<u>135</u>	<u>569</u>
At 31 December 2003	<u>2,075</u>	<u>263</u>	<u>2,338</u>

The Company has a participating interest in a joint venture with The Care Homes Partnership. This provision represents the Company's share of the partnership's liabilities as at 31 December 2003.

15. DEFERRED TAXATION

Deferred tax liabilities are analysed as follows:

	Provided	
	2003	2002
	£'000	£'000
Accelerated capital allowances	263	272
Other timing differences	<u>-</u>	<u>(144)</u>
	<u>263</u>	<u>128</u>

The movement for the year in the net deferred tax provision is as follows:

	2003
	£'000
At 1 January 2003	128
Deferred tax charge for the year	<u>135</u>
At 31 December 2003	<u>263</u>

The net deferred tax provision is included within provisions for liabilities and charges.

BUPA CARE HOMES (GL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

16. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
22,296,717 ordinary shares of £1 each	<u>22,297</u>	<u>22,297</u>
	2003 £'000	2002 £'000
Allotted, called-up and fully paid		
22,296,637 ordinary shares of £1 each	<u>22,297</u>	<u>22,297</u>

17. RESERVES

	Revaluation reserve £000	Other Reserves £000	Profit and loss account £000
At 1 January 2003	233	10,136	(27,913)
Retained profit for the year	<u>-</u>	<u>-</u>	<u>1,296</u>
At 31 December 2003	<u>233</u>	<u>10,136</u>	<u>(26,617)</u>

18. COMMITMENTS

Operating leases

At 31 December 2003 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £000	2002 £000
Operating leases which expire:		
Over five years	<u>3,619</u>	<u>3,632</u>

Capital commitments

At 31 December 2003 the Company had capital commitments amounting to £1,100,000 (2002 - £nil).

**BUPA CARE HOMES (GL) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

19. CONTINGENT LIABILITIES

The Company has given a guarantee and other undertakings, as part of the Group banking arrangements in respect of the overdrafts of certain other Group undertakings. Under a Group registration the Company is jointly and severally liable for Value Added Tax due by certain other Group companies.

A charge is held over cash of £694,000 as security over future operating rental payments due to BUPA LeaseCo (Guernsey) Limited.

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