

**Bupa Care Homes (GL) Limited**

**Annual report and financial statements  
for the year ended 31 December 2018**



# **Bupa Care Homes (GL) Limited**

## **Company information**

<b>Directors</b>	N S Barker J M Elliott M Harrison
<b>Company secretary</b>	Bupa Secretaries Limited
<b>Registered number</b>	01587972
<b>Registered office</b>	1 Angel Court London United Kingdom EC2R 7HJ
<b>Independent auditor</b>	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

# **Bupa Care Homes (GL) Limited**

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# Bupa Care Homes (GL) Limited

## Strategic Report for the year ended 31 December 2018

The Directors present their Strategic Report for Bupa Care Homes (GL) Limited ("the Company") for the year ended 31 December 2018.

### Business review

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly. The Company, together with fellow UK subsidiary undertakings of The British United Provident Association Limited ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

### Results

The loss for the year, after taxation, amounted to £2,110,000 (2017: £1,029,000). The Company had net assets of £5,687,000 (2017: £7,800,000).

### Key performance indicators

The key drivers of the Company's results are:

	2018	2017	Analysis
Loss before tax (£'000)	(2,541)	(75)	The loss in the year has increased primarily as a result of an impairment charge of £2,450,000 (2017: £546,000).
Occupancy percentage (%)	84.2	83.5	Occupancy has increased as a result of homes sold during the previous year and one home sold during the year.
Available beds	531	657	Reduction is due to the sale and closure of homes in the prior year.

### Definitions and method of calculation

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

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

# **Bupa Care Homes (GL) Limited**

## **Strategic Report (continued) for the year ended 31 December 2018**

### **Business model**

The Company provides nursing and residential care in 11 homes to around 498 residents of which 49% are funded wholly or partly by the public sector through Local Authorities ("LAs"), NHS Clinical Commissioning Groups ("CCGs") and other public sector commissioners.

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 145 care homes to around 7,637 residents of which 54% are funded wholly or partly by the public sector.

BCS is focused on meeting the changing healthcare needs and concerns of its customers and society. By investing in its people and services, BCS will continue to address the health and care needs of the UK's growing ageing population whilst making the case for appropriate investment from national and local government in the health and social care system to meet the cost of delivering care.

The UK aged care sector remains under pressure with increased costs including the ongoing impact of the National Living Wage, first introduced in April 2016. BCS continues to take a disciplined approach to fee negotiations with LAs, CCGs and other commissioners in order to recover the true cost of caring for publicly-funded residents.

The combination of a national shortage of appropriately qualified nurses, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response, in 2016, there was an increase in the NHS Funded Nursing Care ("FNC") payments contribution in England to the cost of providing registered nursing care.

### **Future outlook**

BCS is committed to working to ensure that public funds for adult social care are used to the best effect. It will continue its disciplined approach to fee negotiations and has seen success in its focus on recovering the cost of caring for residents from local authority contracts.

Since the 2015 Spending Review which announced new powers for councils to meet their funding obligations for social care, the Government have taken further, albeit limited, steps to increase funds for adult social care. The 2017 Budget announced new funding for councils to meet their funding obligations for social care, including an extension and increase to the annual Council Tax precept to 3% as well as increased allocations into the Better Care Fund and Adult Social Care Support Grant. More recently, the Government announced an additional injection of short-term funding in the 2018 Autumn Budget. While this funding is welcome, it is insufficient to address the long-term funding issues faced by the social care sector.

The outlook for longer term reform of the social care funding system in England remains unclear. The Government has committed to publishing proposals for long term reform of the social care funding system for consultation in the form of a Green Paper. Due to be published in Summer 2018, the consultation document has been delayed a number of times and it is still unclear when it will be released.

BCS, along with others in the sector, will continue to push for adequate funding in the sector, both in the short term and over the longer term, and for local authorities and other public sector commissioners to pay for the true cost of care.

BCS is committed to providing high quality facilities and services for the UK's growing ageing population and will continue to invest in its portfolio of care homes.

# **Bupa Care Homes (GL) Limited**

## **Strategic Report (continued) for the year ended 31 December 2018**

### **Principal risks and uncertainties**

The Company and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of chronic underfunding of social care in the UK and policy changes such as the introduction of a National Living Wage, making it difficult to plan and mitigate for such policies effectively. New guidance on the application of consumer law in care homes, published by the Competition and Market Authority (CMA), has also led to a number of amendments to our T&Cs.

The process of the UK leaving the EU also brings significant risks and uncertainties as a deal between the UK and EU has still not been agreed. The potential of a 'no deal' is still plausible and could lead to significant commercial, operational and legal impacts on UK businesses.

While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, its draft post-Brexit immigration rules mainly focus on high-skilled migrants and will impact the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the wider impact on the UK economy.

Further information relating to the Company, as applicable to Bupa and its subsidiaries and holding companies or subsidiaries of such holding companies ("Bupa Group") as a whole, is provided within the discussion of business risks and uncertainties section of the Bupa Group's annual report and accounts, which does not form part of this report.

This report was approved by the Board on 29 March 2019 and signed on its behalf.



**M Harrison**  
**Director**

Registered Office:

1 Angel Court  
London  
EC2R 7HJ

# **Bupa Care Homes (GL) Limited**

## **Directors' Report for the year ended 31 December 2018**

The Directors present their annual report and the financial statements of Bupa Care Homes (GL) Limited ("the Company") for the year ended 31 December 2018.

### **Going concern**

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly.

These financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Future developments**

An indication of the likely future developments of the Company is included in the Strategic Report.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

### **International Financial Reporting Standards and Financial Reporting Requirements**

The ultimate parent undertaking, The British United Provident Association Limited ("Bupa"), has prepared group accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards. As the Company is a wholly owned subsidiary undertaking of Bupa, the Company qualifies for application of Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), which has been adopted for these financial statements. FRS 101 uses the recognition and measurement bases of IFRS, while allowing exemptions from a number of disclosures required by full IFRS.

### **Directors**

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

C E Barton (resigned 27 April 2018)  
N S Barker (appointed 27 April 2018)  
J M Elliott  
M Harrison (appointed 27 April 2018)  
J S Picken (resigned 27 April 2018)

# **Bupa Care Homes (GL) Limited**

## **Directors' Report (continued) for the year ended 31 December 2018**

### **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.

### **Employees**

Details of the number of persons employed and gross remuneration are contained in note 6 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.

#### *Employment of disabled persons*

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

#### *Employment policy*

The Company 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 Company's performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

### **Political contributions**

No political contributions were made, nor any political expenditure incurred.

### **Disclosure of information to auditor**

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 auditor is 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 auditor is 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.



## **Bupa Care Homes (GL) Limited**

### **Directors' Report (continued) for the year ended 31 December 2018**

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board on 29 March 2019 and signed on its behalf.



**M Harrison  
Director**

Registered Office:

1 Angel Court  
London  
EC2R 7HJ

## **Bupa Care Homes (GL) Limited**

### **Directors' Responsibilities Statement for the year ended 31 December 2018**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

## **Independent Auditor's Report To The Members Of Bupa Care Homes (GL) Limited**

### **Opinion**

We have audited the financial statements of Bupa Care Homes (GL) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as the recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Independent Auditor's Report To The Members Of Bupa Care Homes (GL) Limited (continued)**

### **Going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and Directors' report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

## **Independent Auditor's Report To The Members Of Bupa Care Homes (GL) Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Chris Butt (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS14DA  
29 March 2019

## Bupa Care Homes (GL) Limited

### Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	26,324	28,841
Cost of sales		(25,143)	(25,594)
<b>Gross profit</b>		<b>1,181</b>	<b>3,247</b>
Administrative expenses		(1,104)	(972)
Loss on disposal of fixed assets		-	(22)
Other operating expenses		(1,532)	(1,322)
Interest payable and similar charges	7	(1,086)	(1,006)
<b>Loss before taxation</b>	5	<b>(2,541)</b>	<b>(75)</b>
Tax on loss	8	431	(954)
<b>Loss for the financial year</b>		<b>(2,110)</b>	<b>(1,029)</b>
<b>Other comprehensive (expense)/income: items that will not be reclassified to profit or loss</b>			
Unrealised loss on revaluation of properties		-	(554)
Movement on deferred tax relating to revaluation of properties		(3)	211
<b>Other comprehensive expense for the year, net of tax</b>		<b>(3)</b>	<b>(343)</b>
<b>Total comprehensive expense for the year</b>		<b>(2,113)</b>	<b>(1,372)</b>

All activities relate to continuing operations.

The notes on pages 14 to 28 form part of these financial statements.

# Bupa Care Homes (GL) Limited

Registered number:01587972

## Balance Sheet as at 31 December 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets (including £nil (2017: £1,356,000) held for sale)	10	67,243	70,297
		<u>67,243</u>	<u>70,297</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	461	740
		<u>461</u>	<u>740</u>
Creditors: amounts falling due within one year	12	(351)	-
		<u>110</u>	<u>740</u>
<b>Net current assets</b>		<u>110</u>	<u>740</u>
<b>Total assets less current liabilities</b>		<u>67,353</u>	<u>71,037</u>
Creditors: amounts falling due after more than one year	13	(59,983)	(61,254)
Deferred tax liability	14	(1,683)	(1,983)
		<u>5,687</u>	<u>7,800</u>
<b>Net assets</b>		<u>5,687</u>	<u>7,800</u>
<b>Capital and reserves</b>			
Called up share capital	15	7,000	7,000
Revaluation reserve		18,409	18,687
Profit and loss account		(19,722)	(17,887)
		<u>5,687</u>	<u>7,800</u>
<b>Shareholders' funds</b>		<u>5,687</u>	<u>7,800</u>

The financial statements were approved by the Board of Directors on 29 March 2019 and were signed on its behalf by:



**M Harrison**  
Director

The notes on pages 14 to 28 form part of these financial statements.

## Bupa Care Homes (GL) Limited

### Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital	Revaluation reserve	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2018	7,000	18,687	(17,887)	7,800
Loss for the year	-	-	(2,110)	(2,110)
Movement on deferred tax	-	(3)	-	(3)
Realised gains	-	(275)	275	-
Other comprehensive (expense)/income	-	(278)	275	(3)
At 31 December 2018	7,000	18,409	(19,722)	5,687

### Statement of Changes in Equity for the year ended 31 December 2017

	Called up share capital	Revaluation reserve	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2017	7,000	19,417	(17,245)	9,172
Loss for the year	-	-	(1,029)	(1,029)
Realised gains	-	(387)	387	-
Unrealised losses	-	(554)	-	(554)
Movement on deferred tax relating to revaluation reserve	-	211	-	211
Other comprehensive (expense)/income	-	(730)	387	(343)
At 31 December 2017	7,000	18,687	(17,887)	7,800

The notes on pages 14 to 28 form part of these financial statements.



# **Bupa Care Homes (GL) Limited**

## **Notes to the Financial Statements for the year ended 31 December 2018**

### **1. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **1.1 Basis of preparation**

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### **1.2 Exemptions from the requirements of IFRS**

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for investments, intangibles and property, plant and equipment;
- Disclosures in respect of transactions with wholly owned subsidiaries within the consolidated group;
- Disclosures in respect of capital management;
- An additional balance sheet for the beginning of the earliest comparative period following the transition to FRS 101;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

As the consolidated financial statements of Bupa include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.3 New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. These new standards do not have a material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018.

The Company is required to adopt IFRS 16 Leases on 1 January 2019. The standard was endorsed by the EU on 31 October 2017. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 will result in almost all leases being recognised on the balance sheet for lessees, as the distinction between operating and finance leases is removed. The Company, as a lessee, will recognise a lease liability reflecting the discounted obligation to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term. A depreciation charge for right of use assets and interest expense on lease liabilities will be recognised, whereas under IAS 17 an operating lease expense is recognised on a straight-line basis over the term of the lease and assets and liabilities are recognised only to the extent that there is a timing difference between actual lease payments and the expense recognition.

The Company has assessed the impact of adopting the standard, as described below.

The Company will apply IFRS 16 using the modified retrospective approach, where right of use assets equals the lease liabilities adjusted for prepaid or accrued lease payments. The cumulative effect of adopting the standard is recognised as an adjustment to opening retained earnings at 1 January 2019 with no restatement of comparative information. The Company will also apply the exemption that allows short-term and low value leases to be excluded from the measurement model.

The Company is still assessing the impact on transition but expects to recognise lease liabilities and corresponding right-of-use assets of between £12,000,000 to £16,000,000. Compared to the existing IAS 17 approach of recognising operating lease costs on a smoothed basis through operating expenses, the IFRS 16 approach results in lower operating expenses and higher finance costs. Overall profit is also lower in the early years of the lease and higher in the later years of the lease compared to the existing approach, due to the timing of the recognition of the implicit finance costs on the outstanding liability.

The 2019 profit after tax impact will be dependent on lease activity during the year, but it is expected that profit before tax will be lower than it would have been under IAS 17.

#### 1.4 Exemption from consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.5 Going concern

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly.

These financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts collectively for the entities which make up Bupa Care Services (BCS) for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, BCS will have sufficient funds to meet liabilities as they fall due for that period.

Those forecasts however are not specific to individual entities within the BCS companies, as such, no absolute certainty can be gained from them for each individual entity. As such the Company is dependent on Bupa Finance plc providing additional financial support during that period if required. Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.6 Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises turnover when the amount of turnover can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company primarily provides care homes services to residents and recognises turnover when the service has been delivered to the residents.

#### 1.7 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### 1.8 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

# **Bupa Care Homes (GL) Limited**

## **Notes to the Financial Statements for the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **1.9 Taxation and deferred taxation**

The taxation expense on the profit for the year comprises current and deferred taxation. Income taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the statement of comprehensive income.

Current taxation is the expected taxation payable on the taxable profit 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.

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

#### **1.10 Post employment benefit**

##### **Defined contribution pension schemes**

Bupa operates a defined contribution pension scheme, The Bupa Retirement Savings Plan, in which the Company participates. The assets of the scheme are held separately from those of the Company in independently administered funds. This scheme was opened with effect from 1 October 2002 and is available to join on a voluntary basis to permanent employees of Bupa.

Contributions to defined contribution pension schemes are recognised as an expense in the Profit and Loss account as incurred.

The National Employment Savings Trust (NEST) has been used to meet the Company's automatic enrolment duties for UK employees.

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.11 Tangible fixed assets

Land and buildings comprise mainly care homes and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and at every three years, with associated cost and depreciation balances restated as required.

All other tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the profit and loss account of the period they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	- 50 years
Leasehold improvements	- Term of lease
Fixtures, fittings and equipment	- 3 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account in the period they arise.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.12 Financial assets

##### Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short *term*. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables.

##### Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.

##### Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# **Bupa Care Homes (GL) Limited**

## **Notes to the Financial Statements for the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **1.13 Impairment of non financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment.

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 for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### **1.14 Share capital**

Ordinary shares are classified as equity.

### **2. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **(a) Property valuations**

The Company has a significant portfolio of care homes and fluctuations in the value of this portfolio can have significant impact on the profit and loss account and balance sheet of the Company.

#### **(b) Useful economic lives of tangible fixed assets**

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

### **3. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the Company is Bupa Care Homes (ANS) Limited, with its registered office at 1 Angel Court, London, EC2R 7HJ.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is Bupa, with its registered office at 1 Angel Court, London, EC2R 7HJ. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc, with its registered office at 1 Angel Court, London, EC2R 7HJ.

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

## Bupa Care Homes (GL) Limited

### Notes to the Financial Statements for the year ended 31 December 2018

#### 4. Turnover

Turnover comprises:

	2018 £000	2017 £000
Care homes operations	<u>26,324</u>	<u>28,841</u>

#### 5. Loss before taxation

Loss on ordinary activities before taxation is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- Owned	2,108	2,003
Impairment of tangible fixed assets:		
- Owned	2,450	546
Operating lease rentals:		
- land and buildings	1,656	1,673
- plant and machinery	-	51
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>11</u>	<u>8</u>

Fees for the audit of the Company represent the amount receivable by the Company's auditor. The amount is not borne by the Company.



# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 6. Staff costs and directors' remuneration

	2018 No.	2017 No.
Health care	<u>638</u>	<u>785</u>

The aggregate payroll costs of those persons were as follows:

	2018 £000	2017 £000
Wages and salaries	14,987	16,398
Social security costs	1,013	1,082
Other pension costs	44	43
	<u>16,044</u>	<u>17,523</u>

#### Directors' remuneration

The emoluments of the Directors are borne entirely by other Group companies. The value of the qualifying services provided by the Directors to the Company during the year was £69,000 (2017: £45,000).

### 7. Interest payable and similar charges

	2018 £000	2017 £000
Bupa Group undertakings	<u>1,086</u>	<u>1,006</u>

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 8. Tax on loss

	2018 £000	2017 £000
<b>Corporation tax</b>		
UK corporation tax on loss for the year	14	174
Adjustments in respect of previous periods	(142)	(322)
<b>Total current tax</b>	<b>(128)</b>	<b>(148)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(119)	714
Adjustments in respect of previous periods	(184)	388
<b>Total deferred tax</b>	<b>(303)</b>	<b>1,102</b>
<b>Taxation on loss on ordinary activities</b>	<b>(431)</b>	<b>954</b>

### Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss before taxation	(2,541)	(75)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(483)	(15)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	501	1,088
Deferred tax on property movement	(97)	(91)
Adjustments in respect of current income tax of previous years	(142)	(322)
Adjustments in respect of deferred tax of previous years	(184)	389
Change in taxation rates	14	(95)
Non-assessable income	(40)	-
<b>Total tax (credit)/charge for the year</b>	<b>(431)</b>	<b>954</b>

### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 9. Related undertakings

In compliance with Section 409 of the Companies Act 2006, details of the related undertaking of the Company as at 31 December 2018, which has its registered office at 1 Angel Court, London, EC2R 7HJ, is disclosed below:

Name of undertaking	Share class held	% Held
Fulford Grange Medical Centre Limited*	A Ordinary	100

\*JV - actual % ownership by the Company is 50%

### 10. Tangible fixed assets

	Land and buildings £000	Fixtures, fittings and equipment £000	Held for sale £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2018	68,307	16,408	3,212	87,927
Additions	-	2,860	-	2,860
Transfers to held for sale	-	-	144	144
Disposals	-	-	(3,356)	(3,356)
Reclassifications	1,861	(368)	-	1,493
Reversal of depreciation on revaluation	(11,550)	-	-	(11,550)
Impairment losses	(2,450)	-	-	(2,450)
At 31 December 2018	56,168	18,900	-	75,068
<b>Depreciation</b>				
At 1 January 2018	9,389	6,385	1,856	17,630
Charge for the year	644	1,464	-	2,108
Disposals	-	-	(1,856)	(1,856)
Reclassifications	1,517	(24)	-	1,493
Reversal on revaluation	(11,550)	-	-	(11,550)
At 31 December 2018	-	7,825	-	7,825
<b>Net book value</b>				
At 31 December 2018	56,168	11,075	-	67,243
At 31 December 2017	58,918	10,023	1,356	70,297

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 10. Tangible fixed assets (continued)

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 30 November 2016 on the basis of existing use. The valuation was 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 2016. The Directors have performed a review of freehold land and buildings as at 31 December 2018. This review has resulted in a revaluation against the value of certain freehold land and buildings. Other tangible assets are stated at cost less impairment.

During the year a review of the fixed asset register was performed which resulted in the write off from cost and depreciation of fully depreciated assets no longer in use and the reclassification of some assets between categories.

Analysis of cost or valuation of land and buildings:

	2018 £000	2017 £000
At open market value	21,729	21,729
At cost	71,977	71,633
Aggregate depreciation thereon	(8,396)	(7,752)
Impairment losses	(4,476)	(2,026)
Disposal	(24,666)	(24,666)
	<u>56,168</u>	<u>58,918</u>

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

	2018 £000	2017 £000
Historical cost of revalued assets	73,875	74,464
Depreciation based on historical cost	(6,363)	(4,202)
Historical cost net book value	<u>67,512</u>	<u>70,262</u>

### 11. Debtors

	2018 £000	2017 £000
Amounts owed by Bupa Group undertakings	<u>461</u>	<u>740</u>

Amounts owed by Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

# Bupa Care Homes (GL) Limited

## Notes to the Financial Statements for the year ended 31 December 2018

### 12. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to Bupa Group undertakings	<u>351</u>	<u>-</u>

Amounts owed to Bupa Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

### 13. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loans from Bupa Group undertakings	<u>59,983</u>	<u>61,254</u>

Loans from Bupa Group undertakings are repayable after five years as follows:

	Date issued	Repayment date	Interest rate	2018 £000	2017 £000
Bupa Care Homes (CFG) plc	December 2013	December 2023	Six months LIBOR plus 110 basis points	<u>59,983</u>	<u>61,254</u>

### 14. Deferred taxation

	2018 £000	2017 £000
At beginning of year	(1,983)	(1,092)
Credit/(charge) in profit and loss account	303	(1,102)
(Charge)/credit in other comprehensive income	(3)	211
<b>At end of year</b>	<u><b>(1,683)</b></u>	<u><b>(1,983)</b></u>

The movement in deferred taxation included in the balance sheet is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	(148)	(363)
Revaluation of properties to fair value	(1,535)	(1,620)
	<u><b>(1,683)</b></u>	<u><b>(1,983)</b></u>

## Bupa Care Homes (GL) Limited

### Notes to the Financial Statements for the year ended 31 December 2018

#### 15. Called up share capital

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
7,000,100 (2017: 7,000,100) ordinary shares of £1 each	<b>7,000</b>	<b>7,000</b>

#### 16. Contingent liabilities

Under a group registration the Company is jointly and severally liable for Value Added Tax due by certain other Bupa Group companies.

#### 17. Financial commitments

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	<b>1,521</b>	1,567
Later than 1 year and not later than 5 years	<b>7,605</b>	5,816
Later than 5 years	<b>10,517</b>	13,502
	<b>19,643</b>	20,885

#### 18. Capital commitments

The Company has £nil (2017: £190,000) outstanding capital commitments at the end of the year.

#### 19. Guarantees

The Company has given a guarantee and other undertakings, as part of the Group banking arrangements, in respect of the overdraft of certain other Bupa Group undertakings.

## Bupa Care Homes (GL) Limited

### Notes to the Financial Statements for the year ended 31 December 2018

#### 20. Non-current assets held for sale

	2018 £000	2017 £000
<b>Assets classified as held for sale</b>		
Tangible fixed assets (PPE)	-	1,356

During the year, the Company sold equipment external to the Group. The Company was previously committed to plan to sell these assets and the related balances were classified as held for sale at 31 December 2017. The equipment was recognised at book value which was deemed equal to fair value. The equipment was sold for £1,356,000 cash creating a nil gain, nil loss transaction.

#### 21. Related party transactions

The Company has applied the disclosure exemptions available under FRS 101 in respect of transactions with wholly owned subsidiaries within the consolidated group.

See note 6 for disclosure of the Directors' remuneration.