

GOLDSBOROUGH LIMITED

(Registered No. 1587972)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000



GOLDSBOROUGH LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2000

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

1. Principal activity

The principal activity of the Company is the operation of care homes for the elderly and infirm.

2. Review of the business

The directors consider the development of the company during the year to be satisfactory, and do not foresee any significant changes in the forthcoming year.

3. Results and dividends

The loss for the year, after taxation, amounted to £1,809,000 (1999 - £7,841,000)

No dividend is proposed for 2000 (1999 - £ nil).

4. 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

D P T Hayes

(resigned 29 September 2000)

P C Ludford

R J Maclean

G Smith

(resigned 31 December 2000)

N R Taylor

A D Walford

D A Holden

(appointed 18 April 2000)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other Group undertakings.

5. Fixed assets

The movements in fixed assets during the year are set out in notes 11 and 12 to the financial statements.

6. Employees and remuneration

Details of the number of persons employed and gross remunerations are contained in note 4 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.

GOLDSBOROUGH LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2000

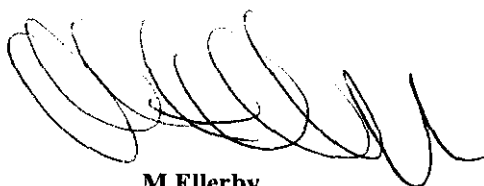
7. Auditors

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
Horsforth
Leeds
LS18 4UP

15 March 2001

By Order of the Board

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the printed name and title.

M Ellerby
Director

GOLDSBOROUGH LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' report set out on page 4, is made for the purpose of clarifying the respective responsibilities of the directors and the auditors in the preparation 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.

GOLDSBOROUGH LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF GOLDSBOROUGH LIMITED

for the year ended 31 December 2000

We have audited the financial statements set out on pages 5 to 16.

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. 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 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 2000 and of the Company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Leeds

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 March 2001

GOLDSBOROUGH LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	1	27,253	26,751
Total operating expenses		(31,686)	(27,702)
Operating expenses - ongoing		(29,899)	(27,241)
- exceptional	3	(1,787)	(461)
Operating loss		<u>(4,433)</u>	<u>(951)</u>
Profit / (loss) on disposal of fixed assets		1	(6,834)
Provision for liabilities in participating interest	5	(511)	-
Income from fixed asset investments	6	-	286
Interest receivable and similar income	7	1,956	438
Interest payable and similar charges	8	<u>(57)</u>	<u>(249)</u>
Loss on ordinary activities before taxation	9	(3,044)	(7,310)
Tax on loss on ordinary activities	10	<u>1,235</u>	<u>(531)</u>
Retained loss for the financial year		<u>(1,809)</u>	<u>(7,841)</u>

The operating loss is all derived from continuing operations.

The accounting policies and notes on pages 8 to 16 form part of these financial statements.


GOLDSBOROUGH LIMITED

BALANCE SHEET
as at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	6,888	6,500
Investments	12	10,910	19,020
		<u>17,798</u>	<u>25,520</u>
Current assets			
Consumable stock		15	15
Debtors		122,650	108,572
Debtors due within one year	13	94,050	32,203
Debtors due after one year	13	28,600	76,369
Cash at bank and in hand		3,115	1,021
		<u>125,780</u>	<u>109,608</u>
Creditors: amounts falling due within one year	14	<u>(106,444)</u>	<u>(5,618)</u>
Net current assets		<u>19,336</u>	<u>103,990</u>
Total assets less current liabilities		37,134	129,510
Creditors: amounts falling due after more than one year	15	(32,500)	(122,370)
Provision for liabilities and charges	16	<u>(707)</u>	<u>(1,404)</u>
		<u>3,927</u>	<u>5,736</u>
Capital and reserves			
Called up share capital	17	22,297	22,297
Revaluation reserve	18	233	233
Other reserves	18	10,136	10,136
Profit and loss account	18	<u>(28,739)</u>	<u>(26,930)</u>
Equity shareholders' funds		<u>3,927</u>	<u>5,736</u>

These financial statements were approved by the Board of Directors on 15 March 2001 and were signed on its behalf by:

N R Taylor
Director



The accounting policies and notes on pages 8 to 16 form part of these financial statements.

GOLDSBOROUGH LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2000

	2000 £000	1999 £000
Loss for the financial year and total recognised gains and losses relating to the financial year	(1,809)	(7,841)
Prior year adjustment	-	354
Total gains and losses recognised since last financial year	<u>(1,809)</u>	<u>(7,487)</u>

NOTE OF HISTORICAL COSTS PROFITS AND LOSSES
for the year ended 31 December 2000

	2000 £000	1999 £000
Reported loss on ordinary activities before taxation	(3,044)	(7,310)
Difference between historical cost depreciation charge and the actual depreciation charge on the revalued amount	(60)	(84)
Realisation of property revaluation gains of previous years	-	3,105
Historical cost loss on ordinary activities before taxation	<u>(3,104)</u>	<u>(4,289)</u>
Historical cost loss on ordinary activities after taxation	<u>(1,869)</u>	<u>(4,820)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2000

	2000 £000	1999 £000
Loss for the financial year and net reduction in shareholders' funds	(1,809)	(7,841)
Opening shareholders' funds	<u>5,736</u>	<u>13,577</u>
Closing shareholders' funds	<u>3,927</u>	<u>5,736</u>

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, applicable SORPs and 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 it is exempt from the requirements of Financial Reporting Standard No. 8 (FRS8) to disclose details of transactions with other members of the BUPA group of companies.

(b) Changes in accounting policies

Financial Reporting Standard No. 15 "Tangible Fixed Assets" (FRS15) has been applied for the first time in the current financial year.

FRS15 provides guidance on the costs that can be capitalised as fixed assets. For example project feasibility costs and certain administrative costs can no longer be capitalised. These costs are now expensed as incurred. There is no material impact on the Company's 1999 accounts, and accordingly no prior adjustment has been made to these financial statements.

The Company has adopted the option available within the transitional arrangements under FRS15 to continue to treat the historic costs as the book value of fixed assets, with the exception of property which will continue to be revalued. In accordance with FRS15 interim valuations will be made every three years and full valuations will be completed at least every five years.

Financial Reporting Standard No. 16 "Current Tax" (FRS16) also became mandatory for the current year. There has been no impact on the Company's accounts as it has been in compliance with the Standard since 1999.

(c) Cash flow statement

The Company is exempt from the requirements of Financial Reporting Standard No. 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The British United Provident Association Limited, and its cash flows are included within the consolidated cash flow statement of that company.

(d) Turnover

Turnover represents the total amount earned by the company in the ordinary course of business for goods supplied and services rendered after deducting trade discounts and value added tax where applicable. All turnover arises in the United Kingdom.

(e) Fixed assets and depreciation

Freehold and leasehold properties are stated at valuation, Other tangible assets are stated at cost. Nursing homes are valued by directors on an annual rolling basis and by external valuation 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

Unrealised gains and losses are taken to revaluation reserves or the profit and loss account in accordance with FRS15.

(f) Investments

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

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

(g) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that a liability will crystallise. No payment is made for group relief claimed or surrendered.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value.

(i) Operating leases

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

(j) Post-retirement benefits

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

2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of BUPA Care Homes Group Limited which is registered in England and Wales. The Company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies.

The ultimate holding company is The British United Provident Association Limited (BUPA), in whose accounts these financial statements are consolidated. A copy of BUPA's consolidated financial statements are available to the public from The Registrar of Companies, Cardiff, CF4 3UZ.

3. EXCEPTIONAL ITEMS

Exceptional items that have been charged to the profit and loss account are as follows:

	2000 £000	1999 £000
Impairment in value of care homes	-	461
Loss on write off of balances with subsidiary companies now struck off	1,787	-
	<u>1,787</u>	<u>461</u>

GOLDSBOROUGH LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2000**4. 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	
	2000	1999 Restated
Private care activities	1,416	1,487
Administration	64	82
	<u>1,480</u>	<u>1,569</u>

The 1999 employee numbers have been restated to reflect the average number of full time equivalent persons employed by the Company.

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	13,930	16,306
Social security costs	1,068	854
Other pension costs (see note 19)	71	34
	<u>15,069</u>	<u>17,194</u>

5. PROVISION FOR LIABILITIES IN PARTICIPATING INTEREST

	2000 £000	1999 £000
Share of liabilities in The Care Homes Partnership	<u>511</u>	<u>-</u>

6. INCOME FROM FIXED ASSET INVESTMENTS

	2000 £000	1999 £000
Dividends received from subsidiary undertakings	<u>-</u>	<u>286</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £000	1999 £000
Bank interest receivable	117	31
Loan interest receivable	1,839	407
	<u>1,956</u>	<u>438</u>

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2000**

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£000	£000
Bank loans, loan notes and overdrafts		
- repayable within five years	<u>57</u>	<u>249</u>

9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000	1999
	£000	£000
Loss on ordinary activities is stated after charging:		
Depreciation and other amounts written off owned tangible fixed assets:		
Owned	959	1,415
Leased	8	7
Impairment in value of care homes	494	461
Operating lease rentals:		
Plant and machinery	32	-
Other land and buildings	3,621	1,353
	<u> </u>	<u> </u>

The remuneration of the Company's auditors is borne by another company in the group.

10. TAX ON LOSS ON ORDINARY ACTIVITIES

	2000	1999
	£000	£000
The taxation charge/(credit) is based on the results for the year:		
UK corporation tax at 30% (1999 – 30.25%)	-	-
Deferred taxation	<u>110</u>	<u>(94)</u>
	110	(94)
Taxation (over)/under provided in previous years:		
Corporation tax	(27)	128
Deferred taxation	<u>(1,318)</u>	<u>497</u>
	<u>(1,235)</u>	<u>531</u>

The current year's UK corporation tax credit has been eliminated due to surrender of group relief to a related party, for which no payment has been received. The current year UK corporation tax credit would otherwise have amounted to £315,000.

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2000

11. TANGIBLE FIXED ASSETS

	Freehold property	Short leasehold properties	Fixtures, equipment and motor vehicles	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2000	1,567	590	10,322	12,479
Additions	39	243	1,567	1,849
Reclassifications	(139)	4	135	-
At 31 December 2000	<u>1,467</u>	<u>837</u>	<u>12,024</u>	<u>14,328</u>
Depreciation				
At 1 January 2000	53	51	5,875	5,979
Charge for the year	11	8	948	967
Impairment	494	-	-	494
Reclassifications	(1)	1	-	-
At 31 December 2000	<u>557</u>	<u>60</u>	<u>6,823</u>	<u>7,440</u>
Net Book Value				
At 31 December 2000	<u>910</u>	<u>777</u>	<u>5,201</u>	<u>6,888</u>
At 31 December 1999	<u>1,514</u>	<u>539</u>	<u>4,447</u>	<u>6,500</u>

Particulars relating to revalued assets are given below:

	Freehold property		Short Leasehold property	
	2000	1999	2000	1999
	£000	£000	£000	£000
Land and buildings				
Open market value	722	1,710	590	590
Impairment of value	-	(461)	-	-
At cost	236	317	247	-
Aggregate depreciation thereon	(48)	(52)	(60)	(51)
Net book value	<u>910</u>	<u>1,514</u>	<u>777</u>	<u>539</u>

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

11. TANGIBLE FIXED ASSETS - continued

	2000 £000	1999 £000
Historical cost of revalued assets	4,502	4,220
Aggregate depreciation based on historical cost	<u>(358)</u>	<u>(279)</u>
Historical cost net book value	<u>4,144</u>	<u>3,941</u>

The freehold properties were independently valued at 31 October 2000 by Knight Frank, Chartered Surveyors on the basis of open market value for existing use as fully operational concerns or on the basis of alternative use if not an operational concern.

The valuations were carried out in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.

12. INVESTMENTS

	Interests in subsidiary undertakings £000
Cost	
At 1 January 2000	19,296
Disposals	<u>(8,386)</u>
	10,910
Amounts written off	
At 1 January 2000	276
Disposals	<u>(276)</u>
	-
Net book value	
At 31 December 2000	<u>10,910</u>
At 31 December 1999	<u>19,020</u>

During the year a number of dormant subsidiary undertakings were struck off.

The principal subsidiary undertakings of the Company are listed below, all of which are wholly owned and are registered in England and Wales.

	Class of share
Caldaire Independent Hospital	Ordinary
Regency Hospital Limited	Ordinary
The Yale Hospital Limited	Ordinary

In the opinion of the directors the investments in the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

13. DEBTORS

	2000 £000	1999 £000
Amounts falling due within one year:		
Loan notes	-	28,571
Trade debtors	1,922	1,677
Other debtors	102	739
Prepayments and accrued income	813	1,216
Corporation tax	20	-
Amounts owed to Group undertakings	91,193	-
	<u>94,050</u>	<u>32,203</u>
Amounts falling due after one year:		
Amounts owed by Group undertakings	<u>28,600</u>	<u>76,369</u>

The loan notes outstanding at 31 December 1999 issued to Care First Health Care Limited, a fellow group undertaking, were redeemed on 18 February 2000. On the same date a loan of £28,600,000 was issued to BUPA Investments Limited, a fellow group undertaking. This loan is included within amounts owed by group undertakings, the loan is due in 2030 and bears interest at 6.4%.

14. CREDITORS – amounts falling due within one year:

	2000 £000	1999 £000
Trade creditors	5	1,127
Corporation tax	-	7
Taxation and social security	4	210
Other creditors	490	972
Accruals and deferred income	888	3,302
Amounts owed to Group undertakings	105,057	-
	<u>106,444</u>	<u>5,618</u>

15. CREDITORS – amounts falling due after more than one year:

	2000 £000	1999 £000
Amounts owed to Group undertakings	32,500	122,370
	<u>32,500</u>	<u>122,370</u>

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Participating interest £000	Deferred taxation £000	Total £000
At 1 January 2000	-	1,404	1,404
Profit and loss account	511	(1,208)	(697)
At 31 December 2000	<u>511</u>	<u>196</u>	<u>707</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 liabilities as at 31 December 2000.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	Provided		Not provided	
	2000 £000	1999 £000	2000 £000	1999 £000
Accelerated capital allowances	351	1411	-	-
Other	(155)	(7)	-	-
	<u>196</u>	<u>1,404</u>	<u>-</u>	<u>-</u>

17. SHARE CAPITAL

	2000 £000	1999 £000
Authorised		
22,296,717 ordinary shares of £1 each	<u>22,297</u>	<u>22,297</u>
	2000 £000	1999 £000
Allotted, called-up and fully paid		
22,296,637 ordinary shares of £1 each	<u>22,297</u>	<u>22,297</u>

18. RESERVES

	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2000	233	10,136	(26,930)
Retained loss	-	-	(1,809)
At 31 December 2000	<u>233</u>	<u>10,136</u>	<u>(28,739)</u>

GOLDSBOROUGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

19. PENSIONS

The Company operates a money purchase scheme in which 22 employees are members. Payment arrangements are variable with contributions made by both the Company and employees. In addition, the Company contributions made by both the Company and employees. In addition, the Company contributes towards a number of personal pension schemes. The total pension cost to the Company in the year amounted to £71,000 (1999 - £34,000).

20. COMMITMENTS

Operating leases

At 31 December 2000 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2000	1999	2000	1999
	£000	£000	£000	£000
Operating leases which expire:				
Over five years	3,721	4,176	-	-

Capital commitments

At 31 December 2000 the Company had capital commitments amounting to £118,000 (1999 - £9,000).

21. 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 £633,000 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.