

CARE FIRST GROUP PLC

(Registered No. 1969735)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003



CARE FIRST GROUP PLC

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 activities of the Group are the development, ownership and operation of nursing and residential homes for the elderly.

2. Review of the business

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

3. Results and dividends

The profit for the year, after taxation, amounted to £18,217,000 (2002 – £6,445,000).

The directors do not recommend the payment of an ordinary dividend (2002 – £nil).

A preference dividend at the rate of 6.25% (2002 – 6.05%) per annum will be paid on 27 August 2004.

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
N R Taylor
A D Walford

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

5. 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 Group's performance.

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

6. Policy for paying creditors

The Group's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of their terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2003 were equivalent to 26 (2002 – 28) days purchases, based on the average daily amount invoiced by suppliers during the year.

CARE FIRST GROUP PLC

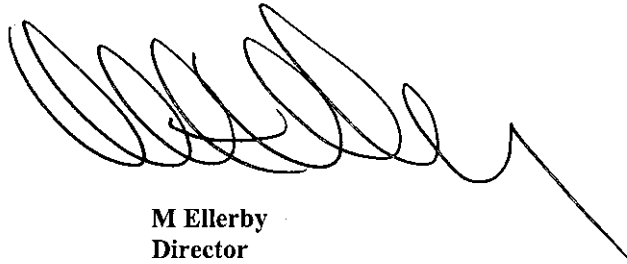
REPORT OF THE DIRECTORS
for the year ended 31 December 2003

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

A handwritten signature in black ink, consisting of several loops and a long trailing line, positioned over the printed name and title of the director.

M Ellerby
Director

11 March 2004

CARE FIRST GROUP PLC

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 Group 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 Group 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 Group 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 Group 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 CARE FIRST GROUP PLC

We have audited the financial statements on pages 5 to 24.

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 Group 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 Group'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 affairs of the Company and the Group as at 31 December 2003 and of the profit of Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

11 March 2004

CARE FIRST GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	387,978	357,336
Operating expenses		<u>(361,832)</u>	<u>(340,692)</u>
Operating profit		26,146	16,644
Loss on sale of fixed assets		(43)	-
Provisions for liabilities in participating interests	4	(4,638)	(5,008)
Interest receivable and similar income	5	12,107	12,211
Interest payable and similar charges	6	<u>(8,777)</u>	<u>(8,815)</u>
Profit on ordinary activities before taxation	7	24,795	15,032
Tax on profit on ordinary activities	8	<u>(6,578)</u>	<u>(8,587)</u>
Profit for the financial year		18,217	6,445
Dividends payable on non-equity shares	9	<u>(4,283)</u>	<u>(4,143)</u>
Retained profit for the financial year		<u>13,934</u>	<u>2,302</u>

The operating profit is all derived from continuing operations.

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 24 form part of these financial statements.

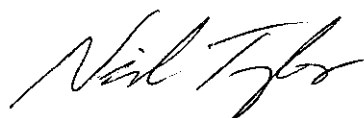
CARE FIRST GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 31 December 2003

	Note	Group		Company	
		2003	2002	2003	2002
		£'000	(restated) £'000	£'000	£'000
Fixed assets					
Intangible assets	10	1,627	3,798	-	-
Tangible assets	11	334,807	328,731	-	-
Investments	12	-	-	171,717	172,225
		<u>336,434</u>	<u>332,529</u>	<u>171,717</u>	<u>172,225</u>
Current assets					
Stock		234	54	-	-
Debtors		420,909	382,384	97,946	96,924
Debtors due within one year	13	184,603	157,613	97,946	96,924
Debtors due after one year	13	236,306	224,771	-	-
Cash at bank and in hand		16,345	9,068	-	4
		<u>437,488</u>	<u>391,506</u>	<u>97,946</u>	<u>96,928</u>
Creditors: amounts falling due within one year	14	<u>(220,511)</u>	<u>(189,789)</u>	<u>(26,576)</u>	<u>(25,878)</u>
Net current assets		<u>216,977</u>	<u>201,717</u>	<u>71,370</u>	<u>71,050</u>
Total assets less current liabilities		<u>553,411</u>	<u>534,246</u>	<u>243,087</u>	<u>243,275</u>
Creditors: amounts falling due after more than one year	15	<u>(130,754)</u>	<u>(144,842)</u>	<u>(80,814)</u>	<u>(79,611)</u>
Provisions for liabilities and charges	16	<u>(28,735)</u>	<u>(26,653)</u>	<u>-</u>	<u>-</u>
		<u>393,922</u>	<u>362,751</u>	<u>162,273</u>	<u>163,664</u>
Capital and reserves					
Called up share capital	18	40,553	40,553	40,553	40,553
Share premium account	19	114,141	114,141	114,141	114,141
Revaluation reserve	19	69,216	51,979	-	-
Merger reserve	19	16,963	16,963	-	-
Capital redemption reserve	19	2,110	2,110	2,110	2,110
Profit and loss account	19	80,939	67,005	5,469	6,860
Equity shareholders' funds		<u>323,922</u>	<u>292,751</u>	<u>162,273</u>	<u>163,664</u>
Non-equity minority interests	20	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
		<u>393,922</u>	<u>362,751</u>	<u>162,273</u>	<u>163,664</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 24 form part of these financial statements.

CARE FIRST GROUP PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	18,217	6,445
Unrealised surplus on revaluation of properties	<u>17,237</u>	<u>4,080</u>
Total recognised gains and losses relating to the year	35,454	10,525
Prior year adjustment	<u>-</u>	<u>356</u>
Total gains and losses recognised since last annual report	<u>35,454</u>	<u>10,881</u>

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

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Profit/(Loss) for the financial year	18,217	6,445	(1,391)	(335)
Dividends on non-equity shares	<u>(4,283)</u>	<u>(4,143)</u>	<u>-</u>	<u>-</u>
	13,934	2,302	(1,391)	(335)
Other recognised gains and losses relating to the year (net)	<u>17,237</u>	<u>4,080</u>	<u>-</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	31,171	6,382	(1,391)	(335)
Opening shareholders' funds	<u>362,751</u>	<u>356,369</u>	<u>163,664</u>	<u>163,999</u>
Closing shareholders' funds	<u>393,922</u>	<u>362,751</u>	<u>162,273</u>	<u>163,664</u>

CARE FIRST GROUP PLC

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 Group 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.

New financial reporting standards

Adoption of FRS 17

The full implementation of Financial Reporting Standard No 17: "Retirement benefits" (FRS 17), due to take place in 2003, has been delayed by the Accounting Standards Board. The transitional provisions of FRS 17 have been extended and, as a result, the Group has complied with the transitional disclosures required by FRS 17.

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 Group 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) Basis of consolidation

The Group financial statements consolidate the accounts of the parent company and its subsidiaries up to 31 December 2003. The results of subsidiaries acquired or disposed of in the year have been included in the financial statements up to or from the date control passes.

(d) Goodwill and intangible fixed assets

Goodwill arising on acquisitions (representing the excess of purchase consideration for subsidiaries over the fair value of net assets acquired) since 31 December 1997 is capitalised on the balance sheet and is amortised over its estimated useful economic life on a straight line basis. The useful economic life is determined after taking into account factors such as type of business, customer relationships and distribution channels but will normally be limited to periods of 20 years or less.

Goodwill arising on acquisitions up to 31 December 1997, which was written off against reserves in accordance with then applicable accounting policies, remains eliminated against reserves. The calculation of the profit or loss arising on any subsequent disposal of a business to which some of this goodwill is attributable will include the relevant amount of goodwill.

(e) Turnover

Turnover represents the total amount earned by the Group 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.

(f) Stock

Stock is stated at lower of cost and net realisable value. Cost includes purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price, less trade discounts, and less all costs to be incurred in marketing, selling and distribution.

CARE FIRST GROUP PLC

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(g) 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 and equipment	- 3 to 50 years

(h) Pensions and other post retirement benefits

The ultimate holding company, BUPA, operates defined contribution pension schemes and defined benefit pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company in independently administered funds.

Defined contribution scheme

The amounts charged against profits represent the employer contributions payable to the scheme in respect of the accounting period.

Defined benefit scheme

The expected cost to the employer of providing these benefits is charged against profits so as to spread the cost over the expected average remaining service lives of the participating employees. Any difference between the cumulative charge against profits and the employer contributions paid to the schemes is shown as an asset or liability in the balance sheet.

(i) 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.

CARE FIRST GROUP PLC

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(j) Leases

Leasing arrangements which transfer to the Group 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.

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is BUPA Finance plc, 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 group accounts, which include the Group is BUPA. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

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

	Number of employees	
	2003	2002
Health care	17,331	17,225
Other	393	398
	<u>17,724</u>	<u>17,623</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£'000	£'000
Wages and salaries	201,750	188,608
Social security costs	12,499	10,898
Other pension costs	2,083	1,823
	<u>216,332</u>	<u>201,329</u>

CARE FIRST GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2003**3. STAFF COSTS AND DIRECTORS' REMUNERATION (CONTINUED)****(b) Directors' remuneration**

Emoluments	2003 £'000	2002 £'000
Aggregate emoluments	<u>517</u>	<u>422</u>
Long Term Incentive Scheme	2003 £'000	2002 £'000
Amounts payable	<u>-</u>	<u>255</u>
Pensions	2003 Number	2002 Number
Members of defined benefit pension schemes	<u>2</u>	<u>2</u>
Amounts in respect of highest paid director	2003 £'000	2002 £'000
Emoluments	<u>332</u>	<u>419</u>
Accrued pension at year-end	<u>16</u>	<u>6</u>

Amounts payable in respect of Long Term Incentive Plan are earned during a two year plan period, with 60% of the total fund value becoming payable in April of year three and 40% becoming payable in April of year five. Therefore, in respect of the 2003/2004 plan, there is nothing payable until April 2005. The 2002 comparative figure relates to amounts from the 1999/2000 and 2001/2002 plans becoming eligible for payment on 31 December 2002. These payments were made in April 2003 as specified in the rules of the Long Term Incentive Plan scheme.

4. PROVISIONS FOR LIABILITIES IN PARTICIPATING INTERESTS

	2003 £'000	2002 £'000
Share of liabilities in The Care Homes Partnership	<u>4,638</u>	<u>5,008</u>

CARE FIRST GROUP PLC

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

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank	107	211
Loan from Group undertaking	<u>12,000</u>	<u>12,000</u>
	<u>12,107</u>	<u>12,211</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans and overdrafts	885	1,668
Finance leases	501	440
Debenture stock	5,900	5,900
Loan from Group undertaking	<u>1,491</u>	<u>807</u>
	<u>8,777</u>	<u>8,815</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
Profit on ordinary activities is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	15,254	15,998
Leased	2,153	1,399
Loss on revaluation	3,429	-
Loss on sale of fixed assets	43	-
Impairment in value of properties	2,427	209
Reversal of past impairment losses	(892)	-
Amortisation of goodwill	2,171	2,130
Auditors' remuneration:		
Audit	238	204
Other services	8	11
Operating lease rentals:		
Land and buildings	26,411	25,753
Equipment	<u>365</u>	<u>1,310</u>

CARE FIRST GROUP PLC

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

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge in the year

	2003 £'000	2002 £'000
Current tax		
UK corporation tax on profits for the year	11,376	7,348
Adjustments in respect of prior periods	(2,338)	2,247
Total current tax	9,038	9,595
Deferred tax		
Origination and reversal of timing differences	(202)	(973)
Adjustments in respect of prior periods	(2,258)	(35)
Tax on profit on ordinary activities	6,578	8,587

(ii) Factors affecting the tax charge

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

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	24,795	15,032
Tax charge on profit on ordinary activities at 30%	7,439	4,510
Effects of:		
Expenses not deductible for tax purposes	3,735	1,961
Capital allowances for the period in excess of depreciation	161	713
Deferred tax on short term and other timing differences	41	260
Adjustments to tax charge in respect of prior periods	(2,338)	2,247
Group relief not paid for	-	(96)
Total current tax charge for the year	9,038	9,595

(iii) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £17million. At present it is not envisaged that any tax will become payable in the foreseeable future.

CARE FIRST GROUP PLC

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

9. DIVIDENDS

	2003 £'000	2002 £'000
Non-equity dividends:		
Dividends at 6.25% on cumulative redeemable preference shares of £1 each (2002 – 6.05%)	<u>4,283</u>	<u>4,143</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2003 and 31 December 2003	<u>10,887</u>
Amortisation	
At 1 January 2003	7,089
Charge for the year	<u>2,171</u>
At 31 December 2003	<u>9,260</u>
Net Book Value	
At 31 December 2003	<u>1,627</u>
At 31 December 2002	<u>3,798</u>

CARE FIRST GROUP PLC

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

11. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Total £'000
Group			
Cost or valuation			
At 1 January 2003	280,858	128,554	409,412
Additions	1,760	8,901	10,661
Revaluation	4,568	-	4,568
Disposals	(7)	(656)	(663)
At 31 December 2003	287,179	136,799	423,978
Depreciation			
At 1 January 2003	13,100	67,581	80,681
Charge for the year	5,452	11,955	17,407
Impairment losses	2,427	-	2,427
Reversal of past impairment losses	(892)	-	(892)
Adjustments on revaluation	(9,804)	-	(9,804)
Disposal	(2)	(646)	(648)
At 31 December 2003	10,281	78,890	89,171
Net Book Value			
At 31 December 2003	276,898	57,909	334,807
At 31 December 2002	267,758	60,973	328,731
Leased assets included above:			
Net Book Value			
At 31 December 2003	31,053	8,154	39,207
At 31 December 2002	31,457	6,597	38,054

Certain of the Group'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.

CARE FIRST GROUP PLC

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

11. TANGIBLE FIXED ASSETS (CONTINUED)

Analysis of cost or valuation of land and buildings:

	2003 Land & buildings £'000	2002 Land & buildings £'000
At open market value	285,523	262,261
At cost	1,656	18,597
Impairment	(2,427)	(1,420)
Aggregate depreciation thereon	<u>(7,854)</u>	<u>(11,680)</u>
	<u>276,898</u>	<u>267,758</u>
Historical cost of revalued assets	198,340	198,340
Aggregate depreciation based on historical cost	<u>(23,502)</u>	<u>(21,895)</u>
Historical cost net book value	<u>174,838</u>	<u>176,445</u>

12. INVESTMENTS

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2003	124,815	52,000	176,815
Disposal	<u>(508)</u>	<u>-</u>	<u>(508)</u>
At 31 December 2003	124,307	52,000	176,307
Provision			
At 1 January 2003 and 31 December 2003	<u>(4,590)</u>	<u>-</u>	<u>(4,590)</u>
Net book value at 31 December 2003	<u>119,717</u>	<u>52,000</u>	<u>171,717</u>
Net book value at 31 December 2002	<u>120,225</u>	<u>52,000</u>	<u>172,225</u>

CARE FIRST GROUP PLC

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

12. INVESTMENTS (CONTINUED)

At 31 December 2003, the Company owned the whole of the issued share capital of the following undertakings, either directly or indirectly, all of which operate in the United Kingdom and are registered in England and Wales:

Name	Ordinary shares Number	Nominal value £	Business Activity
BUPA Care Homes Group Limited	50,000,000	1	Holding company of care homes operators
BUPA Care Homes (CFHCare) Limited* (formerly Care First Health Care Limited)	125,000,000	1	Owner and operator of care homes
BUPA Care Homes (CFCHomes) Limited *	53,368,562	1	Owner and operator of care homes
(formerly Care First Care Homes Limited)			
BUPA Care Homes (Partnerships) Limited *	100	1	Owner and operator of care homes
(formerly Care First Partnerships Limited)			
BUPA Care Homes (Bedfordshire) Limited	2	1	Owner and operator of care homes
(formerly Care First Bedfordshire Limited)			
BUPA Care Homes (GL) Limited *	22,296,637	1	Owner and operator of care homes
(formerly Goldsborough Limited)			
BUPA Care Homes (BNH) Limited *	157	1	Owner and operator of care homes
(formerly BUPA Nursing Homes Limited)			
Takare Developments Limited	2,200,000	1	Developer of care homes
Surgichem Limited	100,000	1	Manufacturer and distributor of monitored drug dosage systems
BUPA Care Homes (AKW) Limited	1	1	Owner and operator of care homes
(formerly Ashbourne KW Limited)			

* Investment held by subsidiary undertaking

In addition to the companies listed above, the Company either directly or indirectly owns a number of non-trading subsidiary companies. Subsidiary undertakings are included at cost less provisions and have been consolidated using the acquisition method of accounting.

CARE FIRST GROUP PLC

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

13. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	16,949	20,764	-	-
Payments on account	23,410	23,823	-	-
Amounts owed by Group undertakings	132,018	101,003	97,946	96,924
Other debtors	2,972	3,055	-	-
Prepayments and accrued income	8,798	8,512	-	-
Advance operating rental payments	456	456	-	-
	<u>184,603</u>	<u>157,613</u>	<u>97,946</u>	<u>96,924</u>
Amounts falling due after one year:				
Advance operating property rental payments	2,380	2,844	-	-
Amounts owed by Group undertakings	<u>233,926</u>	<u>221,927</u>	<u>-</u>	<u>-</u>
	<u>236,306</u>	<u>224,771</u>	<u>-</u>	<u>-</u>

Prepayments and accrued income includes payments to Group undertakings for future services. Payments on account represent payments for goods and services to be rendered by Group undertakings.

The amounts falling due after one year owed by Group undertakings consist of loans issued on 18 February 2000 to BUPA Investments Limited. The loans are repayable in 2030 and bear interest at 6.4% per annum.

14. CREDITORS – amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Obligations under finance leases	1,326	1,110	-	-
Bank loans and overdrafts	8,492	-	-	-
Trade creditors	3,690	3,731	-	-
Amounts owed to Group undertakings	148,361	141,501	26,330	25,878
Taxation and social security	3,643	209	-	-
Other creditors	5,960	4,450	-	-
Accruals and deferred income	43,294	37,326	246	-
Non-equity dividend payable	<u>5,745</u>	<u>1,462</u>	<u>-</u>	<u>-</u>
	<u>220,511</u>	<u>189,789</u>	<u>26,576</u>	<u>25,878</u>

CARE FIRST GROUP PLC

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

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Obligations under finance leases	7,461	5,995	-	-
11.8% debenture stock	50,000	50,000	50,000	50,000
Bank loan	10,000	10,000	-	-
Amounts owed to Group undertakings	63,293	78,847	30,814	29,611
	<u>130,754</u>	<u>144,842</u>	<u>80,814</u>	<u>79,611</u>
Loans are repayable as follows:				
Between two and five years	10,000	10,000	-	-
In five years or more	50,000	50,000	50,000	50,000
	<u>60,000</u>	<u>60,000</u>	<u>50,000</u>	<u>50,000</u>
Finance leases are repayable as follows:				
Between one and two years	1,229	1,035	-	-
Between two and five years	2,111	1,575	-	-
In five years or more	4,121	3,385	-	-
	<u>7,461</u>	<u>5,995</u>	<u>-</u>	<u>-</u>

The 11.8% debenture stock is repayable at par in 2014. The stock is secured by a fixed charge over certain of the Group's assets and a first floating charge over the businesses attached thereto and a general floating charge over the remainder of the assets of the Company and BUPA Care Homes (CFHCare) Limited (formerly Care First Health Care Limited).

The bank loan is due to National Westminster Bank plc. The terms of the loans are £10,000,000 at a fixed rate of 8.375% maturing in May 2006.

The principal risks inherent in the Group's financing activities are controlled by BUPA Finance plc. The risks and the action taken to manage these risks are disclosed in the accounts of that company.

CARE FIRST GROUP PLC

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

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred taxation £'000	Participating interest £'000	Pensions £'000	Total £'000
At 1 January 2003	7,770	17,531	1,352	26,653
Utilised during the year	-	-	(233)	(233)
Provided in the year	661	4,638	137	5,436
Released in the year	<u>(3,121)</u>	<u>-</u>	<u>-</u>	<u>(3,121)</u>
At 31 December 2003	<u>5,310</u>	<u>22,169</u>	<u>1,256</u>	<u>28,735</u>

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

17. DEFERRED TAXATION

Deferred tax liabilities are analysed as follows:

	Provided	
	2003 £'000	2002 £'000
Accelerated capital allowances	6,270	8,738
Pension provision	(414)	(405)
Other timing differences	<u>(546)</u>	<u>(563)</u>
	<u>5,310</u>	<u>7,770</u>

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

	2003 £'000
At 1 January 2002	7,770
Deferred tax credit for the year	<u>(2,460)</u>
At 31 December 2003	<u>5,310</u>

CARE FIRST GROUP PLC

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

18. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised equity interests		
220,000,000 ordinary shares of 25 pence each	55,000	55,000
20,000,000 preference shares of £1 each	20,000	20,000
	<u>75,000</u>	<u>75,000</u>
Allotted, called-up and fully paid		
Equity interests		
162,213,958 ordinary shares of 25 pence each	<u>40,553</u>	<u>40,553</u>

19. RESERVES

Group	Share premium account £'000	Revaluation reserve (restated) £'000	Merger reserve (restated) £'000	Capital redemption reserve fund £'000	Profit and loss account £'000
At 1 January 2003	114,141	32,379	36,563	2,110	67,005
Prior year adjustment	-	19,600	(19,600)	-	-
At 1 January 2003 (restated)	114,141	51,979	16,963	2,110	67,005
Unrealised surplus in the year	-	17,237	-	-	-
Retained profit for the year	-	-	-	-	13,934
At 31 December 2003	<u>114,141</u>	<u>69,216</u>	<u>16,963</u>	<u>2,110</u>	<u>80,939</u>

The prior year adjustment relates to the correction of revaluation losses charged to revaluation reserve in the previous years. None of these losses relate to 2002.

Company	Share Premium Account £'000	Capital redemption reserve fund £'000	Profit and loss account £'000
At 1 January 2003	114,141	2,110	6,860
Retained loss	-	-	(1,391)
At 31 December 2003	<u>114,141</u>	<u>2,110</u>	<u>5,469</u>

The Company made a loss for the financial year of £1,391,000 (2002 – £335,000).

CARE FIRST GROUP PLC

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

20. MINORITY INTERESTS

The non-equity minority interests represent the entire cumulative redeemable preference shares in BUPA Care Homes (CFHCare) Limited (formerly Care First Health Care Limited).

BUPA Care Homes (CFHCare) Limited issued the cumulative redeemable preference shares at par value on 24 February 1998, carrying an initial dividend rate of 5.25% increasing to a maximum rate of 6.25%. On a return of capital on a winding-up or otherwise, the holders of the preference shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal paid up capital. The holders of the preference shares shall have the right to receive notice of and attend, but not to speak or vote at a General Meeting of BUPA Care Homes (CFHCare) Limited. The preference shares shall be redeemable at par at the option of BUPA Care Homes (CFHCare) Limited or the holders of the preference shares on 24 August 2004 and thereafter on each anniversary of this date.

21. PENSION

The company accounts for retirement benefit scheme costs under SSAP 24 and has complied with the transitional disclosure requirements of FRS 17.

SSAP 24

The BUPA Group operates defined contribution and defined benefit pension schemes for the benefit of staff. The BUPA Pension Scheme, is a defined benefit pension scheme which provides benefits based on final pensionable salary, with charges made to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. This scheme was closed to new entrants from 1 October 2002. Under this scheme, contributions by employees and the BUPA Group are administered by trustees in funds independent of the Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pension increases. Detailed triennial valuations and periodic interim reviews are undertaken by an independent actuary using the projected unit method and attained age method respectively. On the basis of these valuations the independent actuary recommends the rate of contributions.

The last detailed triennial valuation of The BUPA Pension Scheme was carried out as at 1 July 2002 and an interim valuation was performed as at 1 July 2003. Details of these latest valuations of the scheme and main assumptions are included in the annual report and accounts of the ultimate holding company.

Employer contributions have been paid at the rate of 17% of pensionable salary from 1 January 2003 until 31 December 2003 to The BUPA Pension Scheme. The accounts include a provision (see note 16) of £1,256,000 (2002 - £1,352,000) which represents the excess of the accumulated cost over the contributions made in respect of this scheme.

From 1 October 2002 any new employees were eligible to join The BUPA Retirement Savings Plan, a defined contribution scheme. The pension cost to the Group in respect of this scheme equals the employer's contributions payable in the period.

The total pension cost included in the profit and loss account amounted to £2,083,000 (2002 - £1,823,000).

CARE FIRST GROUP PLC

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

21. PENSION (CONTINUED)

FRS 17

The BUPA Pension Scheme was valued as at 31 December 2003 under the requirements of FRS 17. This valuation showed a deficit before deferred tax of £122.5 million with assets of £314.5 million and liabilities of £437.0 million. It is not possible to identify the Group's share of this deficit on a consistent and reliable basis, therefore upon full implementation of FRS 17 and, as permitted by FRS 17, the pension costs relating to this scheme will be accounted for by the Group as if the scheme was a defined contribution scheme.

The full disclosure requirements under FRS 17 are disclosed in the Annual Report and Accounts of BUPA.

22. COMMITMENTS

Capital commitments	2003 £'000	2002 £'000
Contracted	<u>5,600</u>	<u>-</u>

Operating leases

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

	Land and Buildings		Others	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Operating leases which expire:				
Within one year	778	198	29	-
Between two and five years	-	-	-	586
Over five years	<u>25,622</u>	<u>25,655</u>	<u>-</u>	<u>-</u>
	<u>26,400</u>	<u>25,853</u>	<u>29</u>	<u>586</u>

CARE FIRST GROUP PLC

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

23. CONTINGENT LIABILITIES

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

The Group has disposed of leasehold interests in a number of close care properties in which it continues to hold a reversionary interest. In so doing, it granted the right to certain purchasers to require the Group to repurchase properties at any time in the future at a price equal to 90% of the purchase price paid of the properties concerned. These are not considered to be financing transactions, and no asset or liability is included on the balance sheet. The outstanding repurchase commitments granted by the Group in this respect amounted to £730,000 (2002 - £730,000).

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

A charge is held over cash of £5,861,000 as security over future operating rental payments due to BUPA LeaseCo (Guernsey) Limited.