

BUPA CARE HOMES (CFG) PLC

(Registered No. 1969735)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



BUPA CARE HOMES (CFG) PLC

REPORT OF THE DIRECTORS **for the year ended 31 December 2005**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

1. Principal activities

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. Acquisition of business, construction of new care homes and discontinued operations

On 5 August 2005, the Company's ultimate parent company, The British United Provident Association (BUPA), acquired, through its subsidiaries, the entire share capital of ANS 2003 Plc. ANS 2003 Plc is registered in England and Wales and is the ultimate owner and operator of 44 care homes in the United Kingdom. In September 2005, the Company acquired 11% of the shares of ANS 2003 Plc from fellow Group undertakings for a consideration of £23,155,000.

On 31 August 2005, the Group acquired the entire share capital of Crispins Nursing Homes Limited, a company registered in England and Wales and the owner and operator of two care homes in the United Kingdom.

In March 2005, BUPA Care Homes (Partnerships) Limited, a subsidiary company of the Company, terminated its contract with one local council in respect of six homes. The results from this business have been treated as discontinued and the 2004 results have been restated accordingly.

4. Results and dividends

The surplus for the year attributable to equity holders of the parent amounted to £22,428,000 (2004 – £20,396,000).

The directors do not recommend the payment of an ordinary dividend (2004 – £nil).

A preference dividend at the rate of 6.25% (2004 – 6.25%) per annum will be paid on 27 August 2006.

5. Conversion to International Financial Reporting Standards

The consolidated accounts have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company is not required to report under IFRS and therefore the Company's financial statements are prepared in accordance with applicable UK Generally Accepted Accounting Principles (UK GAAP). The Company financial statements are presented on pages 46 to 57.

6. 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 (resigned 1 September 2005)

N T Beazley (appointed 1 September 2005)

B D J Kent (appointed 1 September 2005)

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

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

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

8. Political and charitable donations

The Group made no political or charitable donations in the year (2004 – £nil).

BUPA CARE HOMES (CFG) PLC

REPORT OF THE DIRECTORS
for the year ended 31 December 2005

9. Corporate governance

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

10. Employees and remuneration

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

11. 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 2005 were equivalent to 26 (2004 - 26) days purchases, based on the average daily amount invoiced by suppliers during the year.

12. Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the 2006 Annual General Meeting.

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

By Order of the Board



M Ellerby
Director

27 June 2006

BUPA CARE HOMES (CFG) PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

The group financial statements are required by law and International Financial Reporting Standards as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA CARE HOMES (CFG) PLC

We have audited the Group and parent Company financial statements (the "financial statements") of BUPA Care Homes (CFG) plc for the year ended 31 December 2005 which comprise the Group Consolidated Income Statement, the parent Company Profit and Loss Account, the Group Consolidated and parent Company Balance Sheets, the Group Consolidated and parent Company Cash Flow Statements, the Group Consolidated Statement of Total Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU, and for preparing the parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We read the other information contained in the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and parent 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 Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Group's affairs as at 31 December 2005 and of its surplus for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA CARE HOMES (CFG) PLC
(CONTINUED)**

- the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

27 June 2006

BUPA CARE HOMES (CFG) PLC**CONSOLIDATED INCOME STATEMENT**
for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Continuing Operations			
Revenue	3	449,227	413,876
Operating expenses		<u>(395,342)</u>	<u>(374,065)</u>
Operating surplus	6	53,885	39,811
Gain on sale of property, plant and equipment	7	1,102	178
Provisions for liabilities in participating interests	8	(11,373)	(3,263)
Investment income	9	17,935	21,132
Finance costs	10	<u>(32,242)</u>	<u>(20,801)</u>
Surplus before taxation expense		29,307	37,057
Taxation expense	11	<u>(6,921)</u>	<u>(16,743)</u>
Surplus from continuing operations		22,386	20,314
Discontinued operations			
Surplus from discontinued operations	12	<u>42</u>	<u>82</u>
Surplus for the year attributable to equity holders of the parent		<u>22,428</u>	<u>20,396</u>

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC

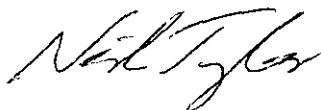
CONSOLIDATED BALANCE SHEET

As at 31 December 2005

		2005	2004
		£'000	£'000
Non Current Assets			
Intangible assets	13	8,584	8,578
Property, plant and equipment	14	481,368	375,552
Other investments	15	23,155	-
Deferred tax assets	24	1,829	1,691
Other receivables	17	256,098	278,672
		<u>771,034</u>	<u>664,493</u>
Current Assets			
Inventories	18	117	66
Trade and other receivables	19	211,843	163,701
Cash and cash equivalents	20	16,886	18,309
		<u>228,846</u>	<u>182,076</u>
Total Assets		<u>999,880</u>	<u>846,569</u>
Non-current Liabilities			
Obligations under finance leases	21	(9,966)	(8,346)
11.8% debenture stock	22	(50,000)	(50,000)
Amounts owed to Group undertakings		(34,348)	(134,267)
Post employment benefits liability	23	(3,848)	(3,366)
Deferred tax liabilities	24	(44,164)	(20,107)
Provisions for liabilities and charges	25	(37,207)	(25,909)
Preference shares	26	(70,000)	(70,000)
		<u>(249,533)</u>	<u>(311,995)</u>
Current Liabilities			
Obligations under finance leases	21	(1,747)	(1,410)
Bank overdrafts and loans	27	-	(3)
Trade and other payables	28	(330,427)	(198,284)
Current tax liabilities		-	(321)
		<u>(332,174)</u>	<u>(200,018)</u>
Total Liabilities		<u>(581,707)</u>	<u>(512,013)</u>
Net assets		<u>418,173</u>	<u>334,556</u>
Equity			
Share capital	29	40,553	40,553
Share premium	30	114,141	114,141
Merger reserve	30	16,963	16,963
Capital redemption reserve	30	2,110	2,110
Revaluation reserve	30	125,870	60,131
Income and expenditure reserve	30	118,536	100,658
Total equity attributable to the holders of the parent company		<u>418,173</u>	<u>334,556</u>

These financial statements were approved by the Board of Directors on 27 June 2006 and were signed on its behalf:

N R Taylor
Director



The accounting policies and notes on pages 10 to 45 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC**CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
Net cash generated from operating activities	31	<u>61,323</u>	<u>41,941</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(20,362)	(18,003)
Proceeds on disposal of property, plant and equipment		1,510	367
Acquisition of subsidiary		(71)	(39,419)
Purchase of separately acquired intangible assets		(354)	(336)
Interest received		<u>342</u>	<u>281</u>
Net cash used in investing activities		<u>(18,935)</u>	<u>(57,110)</u>
Cash flows from financing activities			
Repayments of borrowings		-	(10,000)
Decrease in bank overdraft		(174)	(8,685)
Loan to fellow Group undertakings		(49,967)	32,730
Loan from fellow Group undertakings		<u>6,333</u>	<u>3,088</u>
Net cash (utilised in)/generated from financing activities		<u>(43,808)</u>	<u>17,133</u>
Net (decrease)/increase in cash and cash equivalents		(1,420)	1,964
Cash and cash equivalents at beginning of year		<u>18,306</u>	<u>16,345</u>
Cash and cash equivalents at end of year		<u>16,886</u>	<u>18,309</u>

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE**
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Recognised during the financial year		
Unrealised surplus/(deficit) on revaluation and impairment of properties	65,739	(1,800)
Actuarial losses on pension schemes	(237)	(1,359)
Taxation credit on income and expenses recognised directly in equity	<u>71</u>	<u>113</u>
Net income recognised directly in equity	65,573	(3,046)
Surplus for the financial year	<u>22,428</u>	<u>20,396</u>
Total recognised income and expense for the year attributable to equity holders	<u>88,001</u>	<u>17,350</u>

The accounting policies and notes on pages 10 to 45 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES

a) General information

BUPA Care Homes (CFG) Plc (the "Company") is a company domiciled in England and Wales. The consolidated financial statements for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were approved by the Directors on 27 June 2006. The Board of Directors has reviewed and approved the Group's accounting policies, a summary of the more significant of which are set out below.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Companies Act 1985, IFRS and its interpretations.

These are the Group's first consolidated financial statements prepared under IFRS as adopted by the EU. Previous financial statements were prepared in accordance with the provisions of the Companies Act 1985 and UK GAAP. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in note 36. For the purpose of the consolidation, the accounting policies of the subsidiary companies have been aligned with those of the Group.

The comparative financial information for the year ended 31 December 2004 has been prepared on a basis consistent with that for 2005. International Financial Reporting Standard number 5 "Non-current Assets Held for Sale and Discontinued Operations" (IFRS5) has been applied prospectively with effect from 1 January 2005 as permitted by IFRS1 and IFRS5.

The Group has also taken advantage of the exemption contained in IFRS1 with regards to business combinations. International Financial Reporting Standard number 3 "Business Combinations" (IFRS3) has not been applied retrospectively to business combinations that occurred before 1 January 2004, the Group's date of transition to IFRS. Accumulated amortisation of goodwill on acquisitions prior to this date has been retained within the carrying value of goodwill.

c) Basis of preparation

The financial statements are prepared under the historical cost convention, as modified to include the revaluation of land and buildings and on a going concern basis.

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

d) Subsidiary companies

Subsidiary companies are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiary companies are included in the consolidated financial statements using the purchase method, from the date that control commences until the date that control ceases. Intra group balances and any gains, losses, income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

e) Revenue

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

Revenue is stated net of value added tax and other sales taxes, net of rebates and discounts and after eliminating sales within the Group. Income is recognised in the accounting period in which the Group obtains the right to consideration in exchange for its performance and by reference to the stage of completion of a transaction.

f) Financial income and expenses

Financial expenses and charges include interest payable on borrowings.

Financial income comprises interest receivable on funds invested.

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

g) Taxation

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

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

Deferred tax is provided 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 provided for: goodwill not deductible for tax purposes, the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the asset can be utilised.

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

h) Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing services that are subject to risks and rewards that are different from those of other segments. The primary segments have been determined by reference to the Group's management approach and therefore reflect business activities. The secondary reporting format is the geographical split of operations.

i) Intangible assets

Goodwill

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

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

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

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

Other intangible assets

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

Computer software	3 to 10 years
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Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement to reduce the carrying amount to recoverable amount.

Intangible assets other than goodwill acquired as part of a business combination are capitalised at fair value.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

j) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations of care homes are on an existing use value basis. Valuations of office buildings are on an open market value basis. All other plant and equipment is stated at historic cost less subsequent depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings are recognised in the income statement to the extent it reverses a previous decrease of the same asset recognised in the income statement and the balance recognised in the revaluation reserve. Decreases in the carrying amount are recognised in reserves where they reverse previous increases of the same asset; all other decreases are recognised in the income statement.

Depreciation

Freehold land and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount less their residual values over their estimated useful lives, as follows:

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

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

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

k) Leased assets

Assets obtained under finance leases, with the exception of leasehold land where no right to obtain title exists, are capitalised within property, plant and equipment at fair value and depreciated over their useful economic lives, or the lease term, whichever is shorter. Obligations relating to finance leases, net of finance charges in respect of future periods, are included within other interest bearing liabilities due within or after one year as appropriate. The interest element of the obligation is allocated over the lease term to reflect a constant rate of interest on the outstanding obligation.

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

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total expense.

l) Trade and other receivables

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

m) Inventories

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

n) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale where their carrying amount will be recovered principally through a sale transaction rather than continuing use, where sale is highly probable and where the asset or disposal group is available for immediate sale in its present condition.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Non-current assets and disposal groups held for sale are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses are included in the income statement.

The Group has applied IFRS5 prospectively from 1 January 2005, as required by IFRS1.

o) Cash and cash equivalents

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

p) Interest bearing borrowings

Interest bearing borrowings are recognised initially at proceeds receivable less attributable transaction costs. *Subsequent to initial recognition, where borrowings are not hedged or are subject to cashflow hedges, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The amortised cost of borrowings with a fair value hedge is amended by the fair value of the risk being hedged.*

q) Provisions for liabilities and charges

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

r) Trade and other payables

Trade and other payables are carried at amortised cost.

s) Payments on account

Payments on account are carried at cost and represent payments for goods and services to be rendered by Group undertakings.

t) Other investments

Other investments are carried at fair value. The fair value is measured at each accounting date with changes reported in the income statement.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

u) Employee post employment benefits

Defined contribution pension schemes

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

Defined benefit post employment schemes

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each scheme and represents the present value of the defined benefit obligation less, for funded schemes, the fair value of scheme assets. The discount rate used is the yield at the balance sheet date on high quality corporate bonds denominated in the currency in which the benefits will be paid.

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

All actuarial gains and losses are recognised in full in the Statement of Recognised Income and Expense in the period in which they occur.

v) Accounting estimates and judgements

The preparation of accounts requires the use of certain accounting estimates and judgements as described in the accounting policies. Significant sources of estimation and uncertainty are described below:

Pension assumptions: Note 23 details the estimation techniques involved in calculating the Group's pension liability.

Intangible assets recognised on business combinations: All identifiable assets acquired as part of a business combination must be recognised at fair value. The calculation of fair value requires the use of estimates and judgements, including modelling techniques. These assets are described in note 13.

Goodwill impairment: Note 13 contain information about the assumptions and estimates used to calculate the impairment of goodwill.

Property valuations: The Group's properties are valued with regard to their trading potential. Valuations are performed by independent external valuers who incorporate assumptions. The principal assumptions relate to: quantifying a fair, maintainable level of trade and profitability, levels of competition and assumed ability to renew existing licences, consents, certificates or permits.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is BUPA Iberia S.L., a company registered in Spain.

The ultimate parent undertaking of the Company is BUPA, a company registered in England and Wales, in whose accounts these financial statements are consolidated. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

3. REVENUE

An analysis of the Group revenue is as follows:

	2005 £'000	2004 £'000
Fee income	449,062	413,694
Equipment leasing income	165	182
	<u>449,227</u>	<u>413,876</u>
Investment income	17,935	21,132
	<u>467,162</u>	<u>435,008</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into three operating divisions – Health care, leasing and property development. The principal activities are as follows:

- Health care – ownership and operation of nursing and residential homes for the elderly
- Leasing – Lease of goods to the health care operating companies and residents of care homes.
- Property development – construction of purpose built care homes for other Group undertakings

Segment information about these businesses is presented below:

2005	Health care 2005 £'000	Leasing 2005 £'000	Property development 2005 £'000	Discontinued operations 2005 £'000	Elimination 2005 £'000	Total 2005 £'000
Revenue						
External sales	450,525	165	-	(1,463)	-	449,227
Inter segment sales	-	1,231	4,472	-	(5,703)	-
	<u>450,525</u>	<u>1,396</u>	<u>4,472</u>	<u>(1,463)</u>	<u>(5,703)</u>	<u>449,227</u>
Operating surplus						
Segment result	<u>54,079</u>	<u>842</u>	<u>165</u>	<u>(60)</u>	<u>(1,141)</u>	53,885
Gain on sale of property, plant and equipment						1,102
Provisions for liabilities in participating interests						(11,373)
Investment income						17,935
Finance costs						(32,242)
Surplus before taxation expense						29,307
Taxation expense						(6,921)
Surplus from discontinued operations						42
Surplus after tax						<u>22,428</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Other information

	Health Care 2005 £'000	Leasing 2005 £'000	Elimination 2005 £'000	2005 £'000		
Assets acquired ^a	24,310	-	-	24,310		
Depreciation and amortisation	17,599	-	-	17,599		
Balance Sheet						
Segment assets	893,727	107,411	(1,258)	999,880		
Segment liabilities	(479,878)	(102,722)	893	(581,707)		
2004	Health care 2004 £'000	Leasing 2004 £'000	Property development 2004 £'000	Discontinued operations 2004 £'000	Elimination 2004 £'000	Total 2004 £'000
Revenue						
External sales	419,704	182	-	(6,010)	-	413,876
Inter segment sales	-	1,100	2,877	-	(3,977)	-
	419,704	1,282	2,877	(6,010)	(3,977)	413,876
Operating surplus						
Segment result	39,933	756	105	(117)	(866)	39,811
Gain on sale of property, plant and equipment						178
Provisions for liabilities in participating interests						(3,263)
Investment income						21,132
Finance costs						(20,801)
Surplus before taxation expense						37,057
Taxation expense						(16,743)
Surplus from discontinued operations						82
Surplus after tax						20,396

Other information

	Health Care 2004 £'000	Leasing 2004 £'000	Elimination 2004 £'000	2004 £'000
Assets acquired ^a	20,747	-	-	20,747
Depreciation and amortisation	19,590	-	-	19,590
Balance Sheet				
Segment assets	743,381	104,365	(1,177)	846,569
Segment liabilities	(412,184)	(100,656)	827	(512,013)

^a Assets acquired comprise the cost of those assets to be used during more than one period (property, plant and equipment and intangible assets).

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Discontinued operations

Discontinued operations had the following effect on the segment results of the health care segment, analysed into continuing and discontinued components.

	Continuing 2005 £'000	Discontinued 2005 £'000	Total 2005 £'000
Revenue			
External sales	446,898	1,463	448,361
Result			
Segment result	53,453	60	53,513
	Continuing 2004 £'000	Discontinued 2004 £'000	Total 2004 £'000
Revenue			
External sales	410,972	6,010	416,982
Result			
Segment result	38,800	117	38,917

The segment result from discontinued operations stated above is equal to the surplus before tax from discontinued operations disclosed in note 12, which provides reconciliation to the net surplus from discontinued operations.

Geographical segments

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

5. 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	
	2005	2004
Health care	16,070	16,192
Other	400	400
	16,470	16,592

BUPA CARE HOMES (CFG) PLC**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005****5. STAFF COSTS AND DIRECTORS' REMUNERATION (CONTINUED)**

The aggregate payroll costs of these persons were as follows:

	2005 £'000	2004 £'000
Wages and salaries	234,001	220,111
Social security costs	17,328	15,616
Other pension costs	2,415	2,349
	<u>253,744</u>	<u>238,076</u>

(b) Directors' remuneration

Emoluments	2005 £'000	2004 £'000
Aggregate emoluments	<u>810</u>	<u>651</u>
Company contributions paid to money purchase pension schemes	<u>-</u>	<u>-</u>
Long Term Incentive Scheme	2005 £'000	2004 £'000
Amounts payable	<u>385</u>	<u>-</u>
Pensions	2005 Number	2004 Number
Members of money purchase pension schemes	<u>-</u>	<u>-</u>
Members of defined benefit pension schemes	<u>2</u>	<u>2</u>
Amounts in respect of highest paid director	2005 £'000	2004 £'000
Emoluments	<u>840</u>	<u>458</u>
Company contributions paid to money purchase pension schemes	<u>-</u>	<u>-</u>
Accrued pension at year-end	<u>35</u>	<u>25</u>

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

6. OPERATING SURPLUS

	2005 £'000	2004 £'000
Operating surplus has been arrived after charging:		
Depreciation and other amounts written off property, plant and equipment	16,843	17,188
Amortisation of other intangible assets	756	763
Reversal of past impairment losses of property, plant and equipment	3,160	-
Impairment of goodwill	-	1,639
Staff costs	252,039	236,301
Contributions to defined contributions retirement benefit scheme	1,471	1,775
Auditors' remuneration:		
Audit	210	240
Other services	-	12
Operating lease rentals:		
Plant and equipment	735	570
Land and buildings	34,205	28,666

7. GAIN ON SALE OF PROPERTY, PLANT AND EQUIPMENT

	2005 £'000	2004 £'000
Gain on sale of property, plant and equipment	1,102	178

8. PROVISIONS FOR LIABILITIES IN PARTICIPATING INTERESTS

	2005 £'000	2004 £'000
Share of liabilities in The Care Homes Partnership	11,373	3,263

9. INVESTMENT INCOME

	2005 £'000	2004 £'000
Bank	342	281
Loan to Group undertaking	17,593	20,851
	17,935	21,132

10. FINANCE COSTS

	2005 £'000	2004 £'000
Bank loans and overdrafts	54	1,288
Finance leases	650	576
Debenture stock	5,900	5,900
Loan from Group undertaking	21,263	8,662
Preference dividend	4,375	4,375
	32,242	20,801

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

11. TAXATION EXPENSE

(i) Recognised in the income statement

	2005	2004
	£'000	£'000
Continuing		
Current taxation expense		
UK taxation on income for the year	12,883	16,448
Adjustments in respect of prior periods	<u>243</u>	<u>961</u>
Total current taxation expense	<u>13,126</u>	<u>17,409</u>
Deferred taxation expense		
Origination and reversal of temporary differences	(5,206)	(2,935)
Adjustments in respect of prior periods	<u>(999)</u>	<u>2,269</u>
Total deferred taxation	<u>(6,205)</u>	<u>(666)</u>
Taxation expense	<u>6,921</u>	<u>16,743</u>
	2005	2004
	£'000	£'000

Discontinued

Current taxation expense		
UK taxation on income for the year	<u>18</u>	<u>35</u>

(ii) Reconciliation of effective tax rate

	2005	2004
	£'000	£'000
Continuing		
Surplus before taxation expense	<u>29,307</u>	<u>37,057</u>
Taxation at the domestic UK corporation tax rate of 30% (2004 – 30%)	8,792	11,117
Effects of:		
Non deductible expenses	3,754	5,482
Accelerated capital allowances	(293)	(580)
Deferred tax on short term and other timing differences	630	372
Adjustments to tax charge in respect of prior period	243	961
Adjustments in respect of current deferred taxation	(5,206)	(2,878)
Adjustments in respect of deferred taxation of prior periods	<u>(999)</u>	<u>2,269</u>
Taxation expense on continuing activities at the effective rate of 23.6% (2004 – 45.0%)	<u>6,921</u>	<u>16,743</u>
	2005	2004
	£'000	£'000

Discontinued

Surplus before taxation expense	<u>60</u>	<u>117</u>
Taxation expense on discontinued activities at the effective rate of 30% (2004 – 30%)	<u>18</u>	<u>35</u>

(iii) Current and deferred taxation recognised directly in equity

	2005	2004
	£'000	£'000
Deferred taxation charge/(credit) in respect of		
Revaluation of property	28,479	-
Actuarial loss on pension schemes	<u>(71)</u>	<u>(113)</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2005**12. DISCONTINUED OPERATIONS**

In March 2005, the Group terminated its contract with one local council in respect of six homes. The results of the discontinued operations which have been included in the consolidated income statement were:

	2005	2004
	£'000	£'000
Revenue	1,463	6,010
Expenses	<u>(1,403)</u>	<u>(5,893)</u>
Surplus before tax	60	117
Attributable tax	<u>(18)</u>	<u>(35)</u>
Net surplus attributable to discontinued activities	<u>42</u>	<u>82</u>

The effect of discontinued operations on segment results is disclosed in note 4.

13. INTANGIBLE ASSETS

	Goodwill	Software	Total
	£'000	£'000	£'000
2005			
Cost			
At 1 January 2005	17,815	3,346	21,161
Assets arising on business combinations	408	-	408
Additions	<u>-</u>	<u>354</u>	<u>354</u>
At 31 December 2005	<u>18,223</u>	<u>3,700</u>	<u>21,923</u>
Amortisation and impairment losses			
At 1 January 2005	10,899	1,684	12,583
Amortisation for the year	<u>-</u>	<u>756</u>	<u>756</u>
At 31 December 2005	<u>10,899</u>	<u>2,440</u>	<u>13,339</u>
Net Book Value			
At 31 December 2005	<u>7,324</u>	<u>1,260</u>	<u>8,584</u>
At 31 December 2004	<u>6,916</u>	<u>1,662</u>	<u>8,578</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

13. INTANGIBLE ASSETS (CONTINUED)

	Goodwill £'000	Software £'000	Total £'000
2004			
Cost			
At 1 January 2004	10,887	3,010	13,897
Assets arising on business combinations	6,928	-	6,928
Additions	-	336	336
At 31 December 2004	17,815	3,346	21,161
Amortisation and impairment losses			
At 1 January 2004	9,260	921	10,181
Amortisation for the year	-	763	763
Impairment loss	1,639	-	1,639
At 31 December 2004	10,899	1,684	12,583
Net Book Value			
At 31 December 2004	6,916	1,662	8,578
At 31 December 2003	1,627	2,089	3,716

As explained in note 1, goodwill arising on acquisition before the date of transition to IFRS and capitalised on the balance sheet has been retained at the amount recorded previously under UK GAAP.

Goodwill provisionally determined

Goodwill in relation to current year acquisitions has been determined on a provisional basis for the year ended 31 December 2005. The fair values of the acquired identifiable assets, liabilities and contingent liabilities could be determined on a provisional basis only in the period between completion of the acquisitions and the signing of the Group financial statements.

Goodwill impairment

Goodwill is tested at least annually for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets" (IAS36) and International Accounting Standard No. 38 "Intangible Assets" (IAS38). The impairment tests at 31 December 2005 using value in use resulted in no charge to goodwill impairment expense within the income statement.

In determining whether a goodwill impairment charge is required, the carrying value of goodwill is compared to the recoverable amount of CGUs, which is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the next three year period. In all cases, the growth rate is a conservative estimate which does not exceed the long-term average growth rate of the industry in which the CGUs operate. The discount rates used are pre-tax and reflect the specific risks relating to the industry segments. The rates are calculated with reference to the Group's weighted average cost of capital and are benchmarked against data available for listed groups in similar industries. Any reasonable possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amount of CGUs to exceed its recoverable amount.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

14. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Assets in the course of construction £000	Total £'000
2005				
Cost or valuation				
At 1 January 2005	328,907	146,884	4,572	480,363
Reclassifications	7,714	778	(8,492)	-
Additions	6,453	10,075	7,429	23,957
Revaluations	81,667	(741)	-	80,926
Disposals	(672)	(1,400)	-	(2,072)
At 31 December 2005	424,069	155,596	3,509	583,174
Depreciation				
At 1 January 2005	15,643	89,168	-	104,811
Charge for the year	5,302	11,541	-	16,843
Reversal of past impairment losses	(3,160)	-	-	(3,160)
Adjustments on revaluations	(14,294)	(730)	-	(15,024)
Disposals	(343)	(1,321)	-	(1,664)
At 31 December 2005	3,148	98,658	-	101,806
Net Book Value				
At 31 December 2005	420,921	56,938	3,509	481,368
At 31 December 2004	313,264	57,716	4,572	375,552
Leased assets included above:				
Net Book Value				
At 31 December 2005	36,633	10,368	-	47,001
At 31 December 2004	29,544	8,776	-	38,320

Certain of the Group's freehold land and buildings were independently valued by Knight Frank, Chartered Surveyors in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The valuations were effective from 31 December 2005. The principal assumptions inherent in such valuations are described in note 1. These valuations were incorporated into the balance sheet at 31 December 2005.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Assets in the course of construction £000	Total £'000
2004				
Cost or valuation				
At 1 January 2004	287,179	133,789	-	420,968
Additions	5,719	10,120	4,572	20,411
Acquisition of subsidiary undertaking	37,748	3,852	-	41,600
Revaluations	(1,465)	-	-	(1,465)
Disposals	(274)	(877)	-	(1,151)
At 31 December 2004	<u>328,907</u>	<u>146,884</u>	<u>4,572</u>	<u>480,363</u>
Depreciation				
At 1 January 2004	10,281	77,969	-	88,250
Charge for the year	5,128	12,060	-	17,188
Impairment losses	1,800	-	-	1,800
Adjustments on revaluations	(1,465)	-	-	(1,465)
Disposals	(101)	(861)	-	(962)
At 31 December 2004	<u>15,643</u>	<u>89,168</u>	<u>-</u>	<u>104,811</u>
Net Book Value				
At 31 December 2004	<u>313,264</u>	<u>57,716</u>	<u>4,572</u>	<u>375,552</u>
At 31 December 2003	<u>276,898</u>	<u>55,820</u>	<u>-</u>	<u>332,718</u>

Analysis of cost or valuation of land and buildings:

	2005 Land & buildings £'000	2004 Land & buildings £'000
At open market value	411,412	321,532
At cost	12,657	7,375
Aggregate depreciation thereon	<u>(3,148)</u>	<u>(15,643)</u>
	<u>420,921</u>	<u>313,264</u>
Historical cost of revalued assets	241,345	227,507
Aggregate depreciation based on historical cost	<u>(35,623)</u>	<u>(30,931)</u>
Historical cost net book value	<u>205,722</u>	<u>196,576</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

15. OTHER INVESTMENTS

	£'000
At 1 January 2005	-
Acquisition during the year	<u>23,155</u>
At 31 December 2005	<u>23,155</u>

There were no movement in other investments in 2004.

As described in the Directors' report, the Group acquired 11% of the shares of ANS 2003 Plc for a consideration of £23,155,000 from fellow Group undertakings. The Directors performed a fair value calculation of the investment at 31 December 2005 and in their opinion the fair value of the investment is not significantly different to the consideration paid.

16. SUBSIDIARIES

A list of the significant investments, including the name, country of incorporation, proportion of ownership interest is given in note 42 to the Company's separate financial statements.

17. OTHER NON CURRENT RECEIVABLES

Other non current receivables comprise

	2005 £'000	2004 £'000
Amounts owed by Group undertakings	254,639	276,752
Advance operating property rental payments	<u>1,459</u>	<u>1,920</u>
	<u>256,098</u>	<u>278,672</u>

The amounts owed by Group undertakings include loans issued on 18 February 2000 to BUPA Investments Limited. The loans are repayable in 2030 and bear interest at 6.4% per annum.

18. INVENTORIES

	2005 £'000	2004 £'000
Finished goods	<u>117</u>	<u>66</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

19. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise

	2005 £'000	2004 £'000
Trade receivables	15,524	17,615
Payments on accounts	22,575	23,004
Amounts owed by Group undertakings	160,993	106,501
Corporation tax	127	-
Other receivables	1,346	4,708
Prepayments and accrued income	10,822	11,417
Advance operating rental payments	456	456
	<u>211,843</u>	<u>163,701</u>

The average credit period taken on sales of goods and services provided is 15 days. No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from sale of goods and services rendered amounting to £1,681,000 (2004 - £2,025,000). This allowance has been determined by reference to past default experience.

The Directors consider that the amount of trade and other receivables approximates their fair value.

Prepayments and accrued income includes payments to Group undertakings for future services. Payment on account represents payment for goods and services to be rendered by Group undertakings.

Credit Risk

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

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

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

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

20. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash held by the Group and short term bank deposits within an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts payable under finance lease:				
Within one year	2,399	1,959	1,747	1,410
In the second to fifth year inclusive	7,302	6,311	6,093	5,132
After five years	5,179	4,561	3,873	3,214
	14,880	12,831	11,713	9,756
Less: future finance charges	(3,167)	(3,075)	N/A	N/A
Present value of lease obligations	11,713	9,756	11,713	9,756
Less: Amount due for settlement within one year (shown under current liabilities)			(1,747)	(1,410)
Amount due for settlement after one year			9,966	8,346

It is the Group's policy to lease certain of its property, plant and equipment under finance leases from BM Leasing (1992) Limited and BUPA Gatwick Park Properties Limited, fellow BUPA Group undertakings. For the year ended 31 December 2005, the average effective borrowing rate was 5.5 % (2004 – 5.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. There are no material differences between the lease obligations of the Group and their carrying amounts.

22. 11.8% DEBENTURE STOCK

	2005	2004
	£'000	£'000
11.8% debenture stock	50,000	50,000

The 11.8% debenture stock is repayable at par in 2014. The stock is secured by a fixed charge over certain of the Group's assets on a first floating charge over the businesses attached thereto and a general floating charge over the remainder of the assets of the Company and BUPA Care Homes (CFHCare) Limited. The assets pledged as security include £93,000,000 of property, plant and equipment. The fair value of the 11.8% debenture stock at 31 December 2005 was £70,613,000.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

23. POST EMPLOYMENT BENEFITS LIABILITY

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

	2005 £'000	2004 £'000
Present value of funded obligations	13,299	11,791
Fair value of scheme assets	(9,451)	(8,425)
Net recognised liabilities	3,848	3,366

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees and Directors. The defined benefit schemes provide benefits based on final pensionable salary. Contributions by Group companies to such schemes are made in accordance with the recommendations of independent scheme actuaries of the individual schemes. Complete disclosure of each separate pension scheme's details is not practicable within this report. The key factors relating to the Group funded pension arrangements are discussed below.

The key principal defined benefit schemes in the United Kingdom are as follows:

- **The Care First Bedfordshire Limited Defined Benefit Scheme**
The Group operates a defined benefit pension scheme, Care First Bedfordshire Limited Defined Benefit Scheme, for certain employees who transferred from Bedfordshire County Council and who were previously members of the relevant Local Government Superannuation Scheme (LGSS). The scheme has been established to provide benefits identical to those offered by the LGSS. Under this scheme, contributions by employees and the Group are administered by Friends Provident Corporate Pensions Limited who is also responsible for investments management and the provision of actuarial advice. The scheme was established on 4 November 1996 and eligible staff joined the scheme with effect from the 14 July 1998. The scheme is funded to cover future pension liabilities, allowing for future earnings and pension increases. On the basis of a detailed valuation undertaken every three years and a periodic interim review, an independent actuary recommends the rates of contribution. A full actuarial valuation was carried out at 1 July 2000 and updated to 31 December 2005 by a qualified actuary independent of the scheme's sponsoring employer.

- **The Powys County Council Pension Fund**
The Group participates in the Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary. The latest independent actuarial valuation of the Powys County Council Pension Fund took place on 31 March 2004 and was updated to 31 March 2005.

The Directors believe that the Group's share of the overall scheme deficit is lower than the recommended amount on the basis that the portion of the liabilities arising from the past service lives of members prior to their employment with the Group should be excluded. The Directors do not have a reliable basis to calculate the amount to be excluded and accordingly the Group has recognised the whole of the deficit recommended by the independent actuary as at 31 March 2005.

In the absence of a reliable independent actuarial valuation which is co-terminus with the Group's year end the Directors have used the 31 March 2005 valuation to determine the deficit to be recognised on the balance sheet as at 31 December 2004 and 31 December 2005. The directors believe that the deficit recognised is a prudent provision for the future pension liability in the context of the above.

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

23. POST EMPLOYMENT BENEFITS LIABILITY (CONTINUED)

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. The last detailed triennial valuation of The BUPA Pension Scheme was carried out as at 1 July 2005. The attained age method was used in the 2005 triennial valuation. On the basis of this valuation the independent actuary recommends the rate of contributions.

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

At the date of the last triennial valuation at 1 July 2005 the value of accrued benefits was £464.6million. The aggregate market value of The BUPA Pension Scheme assets, excluding members' additional voluntary contributions, at the valuation date was £418.9million, representing 90.2% of the accrued benefits. The BUPA Pension Scheme was valued as at 31 December 2005 under International Accounting Standard number 19 "Employee Benefits" (IAS 19). This valuation showed a deficit before deferred tax of £138.5million (2004: £172.3million) with assets of £522.2million (2004: £374.7million) and liabilities of £660.7million (2004: £547.0million).

Employer contributions have been paid to The BUPA Pension Scheme at the rate of 17.44% of pensionable salary from 1 January 2005 until 31 March 2005 and at the rate of 25.64% from 1 April 2005 until 31 December 2005. From 1 April 2006, these rates will increase to 26.34%. On 1 April 2005, the Group introduced a salary sacrifice arrangement, PeopleChoice Pensions, whereby the employer's contribution rate increased. There is a corresponding reduction in wages and salaries as a result of the contractual changes. The sponsoring employer is making a series of additional payments in order to reduce the deficit in the scheme. During 2005 the total of additional payments made were £49.2m, bringing the total of additional payments made since November 2003 to £72.0m.

From 1 October 2002 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 income statement amounted to £849,000 (2004 - £792,000).

(i) Actuarial assumptions

The assumptions used to value the post employment schemes are set by the schemes' actuaries. The major weighted average financial assumptions used when valuing the obligations of the post employment benefit schemes under IAS19 are as follows:

The Care First Bedfordshire Limited Defined Benefit Scheme

	2005	2004
Rate of increases	4.1%	4.0%
Rate of increase in pension payment where LPI applies	2.8%	2.9%
Discount rate	4.9%	5.4%
Inflation assumption	2.8%	2.9%
Loading for mortality improvements	5.0%	5.0%
Mortality table	PA92 c2020	PA92 c2015

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

23. POST EMPLOYMENT BENEFITS LIABILITY (CONTINUED)

The Powys County Council Pension Fund

	2005	2004
Rate of increases	4.40%	4.40%
Discount rate	5.30%	5.30%
Inflation assumption	2.90%	2.90%
The assumptions used by the actuary are chosen from a range of possible assumptions which, due to the timescale covered, may not necessarily be borne out in practice.		

(ii) Present value of scheme deficit

The movement in the deficit of the schemes is:

	2005 £'000	2004 £'000
At beginning of year	(3,366)	(1,647)
Movement in year:		
Current service cost	(800)	(896)
Contributions	566	603
Other finance income	(11)	(67)
Actuarial loss	(237)	(1,359)
	<u>(3,848)</u>	<u>(3,366)</u>

(iii) Fair value of schemes' assets

The fair value of the schemes assets are:

The Care First Bedfordshire Limited Defined Benefit Scheme

	Long-term rate of return at 31 December 2005	Value At 31 December 2005 £000	Long-term rate of return at 31 December 2004	Value at 31 December 2004 £000
Equities	7.50%	3,528	7.50%	2,692
Bonds	4.50%	432	5.00%	342
Other	4.50%	321	4.75%	221
		<u>4,281</u>		<u>3,255</u>

The Powys County Council Pension Fund

	Long-term rate of return at 31 March 2005	Value At 31 March 2005 £000	Long-term rate of return at 31 March 2004	Value at 31 March 2004 £000
Equities	7.70%	105,920	7.70%	101,620
Property	6.70%	9,420	6.70%	-
Government bonds	4.70%	48,820	4.70%	58,250
Corporate bonds	5.30%	49,670	5.50%	29,650
Other	4.80%	4,530	4.20%	2,370
		<u>218,360</u>		<u>191,890</u>
Group's share		<u>5,170</u>		<u>5,170</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2005**23. POST EMPLOYMENT BENEFITS LIABILITY (CONTINUED)****(iv) Amount recognised in the consolidated income statement**

The amounts charged to operating expenses for the year are:

	2005 £'000	2004 £'000
Current service cost	800	896
Expected return on pension scheme assets	(542)	(494)
Interest on pension scheme liabilities	553	561
	<u>811</u>	<u>963</u>

(v) Amount recognised directly in equity

The amounts charged directly to equity are:

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	499	245
Experience gains and losses arising on the scheme liabilities	-	115
Changes in assumptions underlying the present value of scheme liabilities	(736)	(1,719)
	<u>(237)</u>	<u>(1,359)</u>

The cumulative amounts of actuarial losses recognised directly in equity is £1,596,000 (2004 - £1,359,000).

(vi) History of experience gains and losses

	2005 £'000	2004 £'000
Present value of schemes obligations	(13,299)	(11,791)
Fair value of schemes assets	9,451	8,425
Net deficit	<u>(3,848)</u>	<u>(3,366)</u>
Experience gains and losses arising on		
Scheme obligations	-	(115)
Scheme assets	499	245
Total amounts recognised directly in equity	<u>(237)</u>	<u>(1,359)</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

24. DEFERRED TAX LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	8,188	9,468	8,188	9,468
Post employment liability	(1,154)	(1,010)	-	-	(1,154)	(1,010)
Revaluation of properties to fair value	-	-	35,976	10,639	35,976	10,639
Other	(675)	(681)	-	-	(675)	(681)
Net deferred tax (assets)/liabilities	(1,829)	(1,691)	44,164	20,107	42,335	18,416

Deferred tax assets relating to the carry forward of pension provisions, employee benefits, other provisions, unused tax losses and other deferred tax assets are recognised to the extent that it is probable that future taxable surpluses will be available against which the deferred tax assets can be utilised.

Unrecognised deferred tax assets

At 31 December 2005, the Group had no unrecognised deferred tax assets (2004 - £nil).

Movement in net deferred tax liabilities

	At Beginning of year £'000	Recognised in income statement £'000	Recognised in equity £'000	Acquisitions through business combinations £'000	At end of year £'000
2005					
Accelerated capital allowances	9,468	(1,264)	-	(16)	8,188
Post employment liability	(1,010)	(73)	(71)	-	(1,154)
Revaluation of land and buildings to fair value	10,639	(4,874)	30,211	-	35,976
Other	(681)	6	-	-	(675)
	18,416	(6,205)	30,140	(16)	42,335
2004					
Accelerated capital allowances	6,270	2,554	-	644	9,468
Post employment liability	(912)	15	(113)	-	(1,010)
Revaluation of land and buildings to fair value	7,825	(3,562)	(540)	6,916	10,639
Other	(1,008)	327	-	-	(681)
	12,175	(666)	(653)	7,560	18,416

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

25. PROVISION FOR LIABILITIES AND CHARGES

	Onerous lease £'000	Participating interest £'000	Total £'000
2005			
At 1 January 2005	477	25,432	25,909
Utilised in the year	(75)	-	(75)
Provided in the year	-	11,373	11,373
At 31 December 2005	402	36,805	37,207
	Onerous lease £'000	Participating interest £'000	Total £'000
2004			
At 1 January 2004	529	22,169	22,698
Utilised in the year	(52)	-	(52)
Provided in the year	-	3,263	3,263
At 31 December 2004	477	25,432	25,909

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 2004.

26. PREFERENCE SHARES

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

BUPA Care Homes (CFHCare) Limited issued the cumulative redeemable preference shares at par value on 24 February 1998, carrying an initial dividend rate of 5.25% increasing to a maximum rate of 6.25%. On a return of capital on a winding-up or otherwise, the holders of the preference shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal paid up capital. The holders of the preference shares shall have the right to receive notice of and attend, but not to speak or vote at a General Meeting of BUPA Care Homes (CFHCare) Limited. 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 2006 and thereafter on each anniversary of this date.

27. BANK OVERDRAFT AND LOANS

	2005 £'000	2004 £'000
Bank overdraft	-	3

The 2004 bank overdraft was repayable on demand or within one year and is denominated in sterling. The weighted average interest rate was 12%. The directors estimate that there are no material differences between the value of the bank overdraft and its fair value. The Group has given a guarantee to other Group undertakings as part of the Group banking arrangements, in respect of certain other Group undertakings.

The actions taken to manage the principal risks inherent in the Group's financing activities are disclosed in the accounts of BUPA Finance Plc, an intermediate parent company.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

28. TRADE AND OTHER PAYABLES

Trade and other payables due within one year comprise:

	2005 £'000	2004 £'000
Trade payables	2,059	2,607
Amounts owed to Group undertakings	271,430	136,550
Other taxation and social security	4,271	3,953
Other payables	4,544	4,186
Accruals and deferred income	46,613	49,478
Non equity dividend	1,510	1,510
	<u>330,427</u>	<u>198,284</u>

Trade payables comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 26 days (2004 - 26). There are no material difference between the Group account of trade payables and their fair value.

29. SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
Equity interests		
220,000,000 ordinary shares of 25 pence each	<u>55,000</u>	<u>55,000</u>
Non equity interests		
20,000,000 preference shares of £1 each	<u>20,000</u>	<u>20,000</u>
	2005 £'000	2004 £'000
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>

30. EQUITY

2005	Share premium account £'000	Merger reserve £'000	Capital redemption reserve fund £'000	Revaluation reserve £'000	Income and expenditure reserve £'000
At 1 January 2005	114,141	16,963	2,110	60,131	100,658
Retained surplus for the financial year	-	-	-	-	22,428
Consolidation adjustment	-	-	-	-	(4,384)
Unrealised surplus on revaluation of property	-	-	-	95,950	-
Actuarial loss on pension schemes	-	-	-	-	(237)
Taxation (charge)/credit on income and expenses recognised directly in equity	-	-	-	(30,211)	71
At 31 December 2005	<u>114,141</u>	<u>16,963</u>	<u>2,110</u>	<u>125,870</u>	<u>118,536</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

30. EQUITY (CONTINUED)

The consolidation adjustment relates to the correction of a consolidation entry which should have been charged to consolidation reserve in prior years. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in note 36.

2004	Share premium account £'000	Merger reserve £'000	Capital redemption reserve fund £'000	Revaluation reserve £'000	Income and expenditure reserve £'000
At 1 January 2004 as previously reported	114,141	16,963	2,110	69,216	80,939
Effect of transition to IFRS	-	-	-	(7,825)	569
At 1 January 2004	114,141	16,963	2,110	61,391	81,508
Retained surplus for the financial year	-	-	-	-	20,396
Unrealised surplus on revaluation of property	-	-	-	(1,800)	-
Actuarial loss on pension schemes	-	-	-	-	(1,359)
Taxation (charge)/credit on income and expenses recognised directly in equity	-	-	-	540	113
At 31 December 2004	<u>114,141</u>	<u>16,963</u>	<u>2,110</u>	<u>60,131</u>	<u>100,658</u>

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2005 £'000	2004 £'000
Operating surplus	53,885	39,811
Adjustments for:		
Depreciation of property, plant and equipment	16,843	17,188
Amortisation and impairment of intangible assets	756	2,402
Reversal of past impairment losses	(3,160)	-
Increase/(Decrease) in provisions	170	(246)
Operating cash flows before movement in working capital	68,494	59,155
(Increase)/Decrease in working capital		
Inventories	(51)	168
Trade receivables	2,091	153
Other receivables	3,313	(1,736)
Prepayments and accrued income	600	(2,619)
Trade payables	(575)	(1,893)
Tax and social security	300	437
Accruals and deferred income	(2,865)	5,452
Other payables	298	(1,955)
Due to Group undertakings	460	460
Cash generated from operations	72,065	57,622
Cash generated from discontinued operations	60	117
Corporation tax paid	(473)	-
Interest paid	(10,329)	(15,798)
Net cash from operating activities	<u>61,323</u>	<u>41,941</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Additions to property, plant and equipment amounting to £3,596,000 (2004 - £2,408,000) were financed by new finance leases.

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

32. COMMITMENTS

Capital commitments

	2005 £'000	2004 £'000
Contracted	-	4,300
Operating leases		

At 31 December 2005 the Group had annual commitments under non-cancellable operating leases as set out below:

	2005 £'000	2004 £'000
Minimum lease payment under operating leases recognised in income for less than one year		
Plant and equipment	735	570
Land and building	34,205	28,666
	<u>34,940</u>	<u>29,236</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall as follows:

	2005 £'000	2004 £'000
Within one year	33,522	33,522
In the second to fifth year inclusive	133,295	133,295
After five years	869,219	902,741
	<u>1,036,036</u>	<u>1,069,558</u>

33. 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 £637,000 (2004 - £730,000).

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

33. CONTINGENT LIABILITIES (CONTINUED)

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 (2004 - £5,861,000) as security over future operating rental payments due to BUPA LeaseCo (Guernsey) Limited.

On 19 July 2005 the Group entered into a £350m revolving credit facility along with various other members of the BUPA Group. The Group has joint and several liability for all obligations under the agreement.

34. POST BALANCE SHEET EVENT

On 10 February 2006 the Group replaced most of its existing senior debt facilities with a £1.1billion multi-currency revolving credit facility. The Group has joint and several liability for all obligations under the agreement.

On 9 February 2006, the 20,000,000 £1 authorised non issued preference shares were cancelled.

35. RELATED PARTY TRANSACTIONS

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

Trading transactions

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

Sales of goods and rental income

Sales of goods and rental income for the year ended 31 December 2005 are as follows:

	2005 £'000	2004 £'000
BUPA Construction Limited	6,613	6,613
BUPA Operational Services Limited	19	12
BUPA Care Services Limited	5	5
Goldsborough Estates Limited	52	40
	<u>6,689</u>	<u>6,670</u>

Purchases of goods and services and rental charges

Purchases of goods and services and rental charges for the year ended 31 December 2005 are as follows:

	2005 £'000	2004 £'000
BUPA Construction Limited	6,793	6,793
BUPA Gatwick Park Properties Limited	66	66
BUPA Services Limited	977	973
BUPA LeaseCo (Guernsey) Limited	31,578	575
BUPA	14,013	14,238
BM Leasing (1992) Limited	63	63
	<u>53,490</u>	<u>22,708</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Interest received

Interest received for the year ended 31 December 2005 is as follows:

	2005	2004
	£'000	£'000
BUPA Investments Limited	16,920	19,943
BUPA	30	37
BUPA Operational Services Limited	82	132
BUPA Care Services Limited	32	593
Goldsborough Estates Limited	529	146
	<u>17,593</u>	<u>20,851</u>

Interest paid

Interest paid for the year ended 31 December 2005 is as follows:

	2005	2004
	£'000	£'000
Finance leases		
BUPA Gatwick Park Properties Limited	174	157
BM Leasing (1992) Limited	476	419
	<u>650</u>	<u>576</u>

Loan and current account from Group undertakings

BUPA Investments Limited	10,177	2,447
BUPA Blackbird Investments LLP	3,785	390
BM Leasing (1992) Limited	82	46
BUPA Finance Plc	1,069	779
Care Homes Purchasing Limited	2	-
The Care Homes Partnership	4,343	2,774
Goldsborough Estates Limited	329	218
BUPA Care Services Limited	228	629
Strand Nurses Bureau Limited	-	85
BUPA Nursing Limited	-	47
Montpellier Healthcare Limited	-	9
BHS Leasing (1993) Limited	416	131
BUPA Operational Services Limited	514	69
BUPA	318	866
BUPA Insurance Limited	-	172
	<u>21,263</u>	<u>8,662</u>

Non current other receivables

Non current other receivables comprise:

	2005	2004
	£'000	£'000
BUPA Investments Limited	<u>254,639</u>	<u>276,752</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2005**35. RELATED PARTY TRANSACTIONS (CONTINUED)****Current account receivable**

Current account receivable comprises:

	2005 £'000	2004 £'000
Country House Management Services Limited	39	63
BUPA Care Services Limited	-	592
Goldsborough Estates Limited	4,392	9,265
BUPA Care Services Overseas Staffing Limited	-	18
BUPA Finance Plc	3	3
BUPA	2,903	-
BHS (Holdings) Limited	784	-
BUPA Blackbird Investments LLP	46	-
BUPA Investments Limited	152,826	92,176
	<u>160,993</u>	<u>102,117</u>

Payment on account

Payment on account debtor comprises:

	2005 £'000	2004 £'000
BUPA Gatwick Park Properties Limited	<u>22,575</u>	<u>23,004</u>

Lease creditor

Lease creditor comprises:

	2005 £'000	2004 £'000
BUPA Gatwick Park Properties Limited	1,841	1,638
BM Leasing (1992) Limited	9,872	8,118
	<u>11,713</u>	<u>9,756</u>

Non current accounts payable

Non current accounts payable comprise:

	2005 £'000	2004 £'000
BUPA Investments Limited	-	30,793
BUPA Finance Plc	21,848	20,779
BUPA Care Services Limited	12,500	12,500
BUPA Blackbird Investments LLP	-	70,195
	<u>34,348</u>	<u>134,267</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Current account payable

Current accounts payable comprise:

	2005 £'000	2004 £'000
BUPA	27,593	12,956
BM Leasing (1992) Limited	2,558	2,007
BUPA Operational Services Limited	18,895	321
BUPA Insurance Limited	267	448
BHS (1993) Limited	8,372	7,400
BUPA Gatwick Park Properties Limited	104	34
BUPA Construction Services Limited	-	180
Country House Homes Limited	8,752	8,752
Country House Management Services Limited	-	25
BUPA Care Services Limited	50,579	36,914
Montpellier Healthcare Limited	-	541
Professional Healthcare Services Limited	-	147
Goldsborough Estates Limited	-	6,003
BUPA Nursing Limited	-	3,060
Strand Nurses Bureau Limited	-	5,533
The Care Homes Partnership Limited	56,665	52,202
BUPA Blackbird Investments LLP	73,744	-
Broadgate Limited	16,243	-
Connors Limited	6,912	-
The Yale Hospital Limited	696	-
ANS Homes Limited	8	-
Care Homes Purchasing Limited	42	27
	<u>271,430</u>	<u>136,550</u>

The above undertakings are part of The BUPA Group

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

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

36. EXPLANATION OF TRANSITION TO IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRS, as adopted by the EU. The Group reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. Provided below is a reconciliation of net assets and surplus as reported under UK GAAP for the year ended 31 December 2004 to net assets and surplus for the financial year under IFRS, as reported in these financial statements. A reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, 1 January 2004, is also provided. The Group IFRS accounting policies have been applied for the years ended 31 December 2004 and 31 December 2005 as described in the statement of compliance in note 1.

Reconciliation of net assets and equity at 31 December 2004

	Note	UK GAAP (IFRS format) £'000	Effect of transition to IFRS £'000	IFRS £'000
Intangible assets	a)	-	8,578	8,578
Property, plant and equipment	a)	377,214	(1,662)	375,552
Deferred tax assets	d)	-	1,691	1,691
Other receivables		278,672	-	278,672
Total non-current assets		655,886	8,607	664,493
Inventories		66	-	66
Trade and other receivables		163,701	-	163,701
Cash and cash equivalents		18,309	-	18,309
Total current assets		182,076	-	182,076
Total assets		837,962	8,607	846,569
Obligations under finance leases		(9,756)	-	(9,756)
Bank overdraft and loans		(3)	-	(3)
Trade and other payables	b)	(199,227)	943	(198,284)
Tax liabilities		(321)	-	(321)
11.8% debenture stock		(50,000)	-	(50,000)
Long term amounts due to Group undertakings		(134,267)	-	(134,267)
Post employment benefit obligations	c)	(910)	(2,456)	(3,366)
Deferred tax liabilities	d)	(8,514)	(11,593)	(20,107)
Provisions for liabilities and charges	b)	(25,432)	(477)	(25,909)
Preference shares	e)	-	(70,000)	(70,000)
Total liabilities		(428,430)	(83,583)	(512,013)
Total assets less total liabilities		409,532	(74,976)	334,556
Share capital		40,553	-	40,553
Share premium		114,141	-	114,141
Merger reserve		16,963	-	16,963
Capital redemption reserve		2,110	-	2,110
Revaluation reserve	d)	67,416	(7,285)	60,131
Profit and loss account		98,349	2,309	100,658
Non equity interests	e)	70,000	(70,000)	-
		409,532	(74,976)	334,556

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

36. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of the surplus for 2004

	Note	UK GAAP (IFRS format) £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue		413,876	-	413,876
Operating expenses	c)	(373,826)	(239)	(374,065)
Operating surplus		40,050	(239)	39,811
Gain on sale of property, plant and equipment		178	-	178
Provisions for liabilities in participating interests		(3,263)	-	(3,263)
Investment income		21,132	-	21,132
Finance costs	e)	(16,426)	(4,375)	(20,801)
Surplus before tax		41,671	(4,614)	37,057
Tax	d)	(19,968)	3,225	(16,743)
Surplus from continuing operations		21,703	(1,389)	20,314
Surplus from discontinued operations		82	-	82
Dividend	e)	(4,375)	4,375	-
Surplus for the year		17,410	2,986	20,396

Notes to the reconciliation of the surplus for 2004

a) Intangible assets and property, plant and equipment

The £8,578,000 (2004 - £2,089,000) adjustment relates to £1,662,000 (2004 - £2,089,000) of IT software and development and £6,916,000 (2004 - £nil) of goodwill.

- IT software and development

The adjustment is required to reclassify IT software and development as an intangible asset under International Accounting Standard number 38 "Intangible Assets" (IAS38).

- Goodwill

The Group acquired the entire share capital of Carrick Care Homes Limited on 31 August 2004. This was in the transition period of International Financial Reporting Standard number 3 "Business Combinations" (IFRS3). Deferred tax has been calculated on the fair value adjustment to the property, plant and equipment.

b) Trade and other payables and provision for liabilities and charges

This adjustment is required to reclassify an onerous lease provision amounting to £477,000 (2004 - £529,000) as long term and the reversal of a pension provision amounting to £466,000 (2004 - £nil) no longer required under IAS19.

c) Post employment benefit obligations

The adjustment to post employment benefits obligations amounting to £2,456,000 (2004 - £391,000) relate to the implementation of IAS19. Under UK GAAP, the expected cost of providing benefits was charged to the income statement to spread the cost over the average remaining service lives of the participating employees. Any difference between the cumulative charge to the income statement and the contributions paid to the schemes was included as an asset or liability in the balance sheet. These entries have been reversed and replaced with IAS19 entries.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

36. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

c) Post employment benefit obligations (continued)

Under IAS19, the current and past service cost of employees, together with the expected interest on the liabilities of the scheme less the expected return on the assets of the scheme, are charged to the income statement. Further, the fair value of the assets and liabilities of the post employment benefit schemes are brought onto the Group balance sheet at market rate.

d) Deferred tax liabilities

The deferred tax adjustment amounting to £11,593,000 (2004 - £8,562,000) is required to comply with International Accounting Standard number 12 "Income Taxes" (IAS12). IAS12 has a wider scope than the equivalent accounting standard under UK GAAP. It requires entities to provide for deferred tax on all temporary differences between the tax base and the accounting base of balance sheet items where taxable amounts will arise in the future.

The most significant adjustment relates to property revaluations. Under IAS12, deferred tax is provided for on all unrealised gains on properties. Under UK GAAP, deferred tax was recognised only on properties where a binding contract for sale existed.

e) Preference shares and dividend

The preference shares amounting to £70,000,000 (2004 - £70,000,000) have been reclassified as long term liabilities under the requirements of International Accounting Standard number 32 "Financial Instruments: Disclosure and Presentation" (IAS 32). Accordingly, the dividend amounting to £4,375,000 in the year to 31 December 2004 has been reclassified as a finance cost.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

36. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of net assets and equity at 1 January 2004

	Note	UK GAAP (IFRS format) (restated) £'000	Effect of transition to IFRS £'000	IFRS £'000
Intangible assets	a)	1,627	2,089	3,716
Property, plant and equipment	a)	334,807	(2,089)	332,718
Deferred tax assets		-	1,697	1,697
Other receivables		236,306	-	236,306
Total non-current assets		572,740	1,697	574,437
Inventories		234	-	234
Trade and other receivables		180,219	-	180,219
Cash and cash equivalents		16,345	-	16,345
Total current assets		196,798	-	196,798
Total assets		769,538	1,697	771,235
Obligations under finance leases		(8,787)	-	(8,787)
Bank overdraft and loans		(18,492)	-	(18,492)
Trade and other payables	b)	(210,693)	529	(210,164)
11.8% debenture stock		(50,000)	-	(50,000)
Long term amounts due to Group undertakings		(63,293)	-	(63,293)
Post employment benefit obligations	c)	(1,256)	(391)	(1,647)
Deferred tax liabilities	d)	(5,310)	(8,562)	(13,872)
Provisions for liabilities and charges	b)	(22,169)	(529)	(22,698)
Preference shares	e)	-	(70,000)	(70,000)
Total liabilities		(380,000)	(78,953)	(458,953)
Total assets less total liabilities		389,538	(77,256)	312,282
Share capital		40,553	-	40,553
Share premium		114,141	-	114,141
Merger reserve		16,963	-	16,963
Capital redemption reserve		2,110	-	2,110
Revaluation reserve	d)	69,216	(7,825)	61,391
Profit and loss account		76,555	569	77,124
Non equity interests	e)	70,000	(70,000)	-
		389,538	(77,256)	312,282

BUPA CARE HOMES (CFG) PLC
(Registered No. 1969735)
COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

BUPA CARE HOMES (CFG) PLC**COMPANY PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Operating expenses		<u>(5)</u>	<u>(5)</u>
Operating loss		(5)	(5)
Interest receivable and similar income	39	13,475	6,825
Interest payable and similar charges	40	<u>(21,638)</u>	<u>(8,861)</u>
Loss on ordinary activities before taxation		(8,168)	(2,041)
Taxation on loss on ordinary activities	41	<u>2,450</u>	<u>612</u>
Retained loss for the financial year		<u>(5,718)</u>	<u>(1,429)</u>

The operating loss is all derived from continuing operations.

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

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

The accounting policies and notes on pages 51 to 57 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC

COMPANY BALANCE SHEET
as at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	41	<u>225,489</u>	<u>202,214</u>
Current assets			
Debtors	43	273,885	218,235
Debtors due within one year	43	<u>133,856</u>	<u>99,530</u>
Debtors due after one year	43	<u>140,029</u>	<u>118,705</u>
Cash at bank and in hand		<u>59</u>	<u>77</u>
		273,944	218,312
Creditors: amounts falling due within one year	44	<u>(220,563)</u>	<u>(108,694)</u>
Net current assets		<u>53,381</u>	<u>109,618</u>
Total assets less current liabilities		278,870	311,832
Creditors: amounts falling due after more than one year	45	<u>(123,744)</u>	<u>(150,988)</u>
		<u>155,126</u>	<u>160,844</u>
Capital and reserves			
Called up share capital	47	40,553	40,553
Share premium account	48	114,141	114,141
Capital redemption reserve	48	2,110	2,110
Profit and loss account	48	<u>(1,678)</u>	<u>4,040</u>
Equity shareholders' funds		<u>155,126</u>	<u>160,844</u>

These financial statements were approved by the Board of Directors on 27 June 2006 and were signed on its behalf by:



N R Taylor
Director

The accounting policies and notes on pages 51 to 57 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC**COMPANY CASH FLOW STATEMENT**
as at 31 December 2005

	Note	2005 £'000	2004 £'000
Net cash used in operating activities	49	<u>(5,898)</u>	<u>(5,849)</u>
Cash flows from investing activities			
Acquisition of subsidiary	42	(71)	(39,419)
Interest received		<u>13,475</u>	<u>6,825</u>
Net cash used in investing activities		<u>13,404</u>	<u>(32,594)</u>
Cash flows from financing activities			
Loan to fellow Group undertakings		(55,579)	(109,803)
Borrowing from fellow Group undertakings		<u>48,055</u>	<u>148,323</u>
Net cash (used in)/generated from financing activities		<u>(7,524)</u>	<u>38,520</u>
Net (decrease)/increase in cash and cash equivalent		(18)	77
Cash and cash equivalents at beginning of year		<u>77</u>	<u>-</u>
Cash and cash equivalents at end of year		<u>59</u>	<u>77</u>

The accounting policies and notes on pages 51 to 57 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2005

	2005	2004
	£'000	£'000
Loss for the financial year and net reduction to shareholders' funds	(5,718)	(1,429)
Opening shareholders' funds	<u>160,844</u>	<u>162,273</u>
Closing shareholders' funds	<u>155,126</u>	<u>160,844</u>

The accounting policies and notes on pages 51 to 57 form part of these financial statements.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2005

37. STATEMENT OF ACCOUNTING POLICIES

(a) Significant accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, under the historical cost accounting convention and on a going concern basis.

As the Company is a wholly owned subsidiary undertaking of 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 were no other related party transactions.

Accounting conventions

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

(b) 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 exception:

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

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

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

(c) Investments

Investments are carried at cost less provision for impairment in value.

38. STAFF COSTS AND DIRECTORS' REMUNERATION

The emoluments of the Directors are disclosed in note 5. The Company has no other employee costs during the year.

39. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Bank	-	26
Loan	13,475	6,799
	<u>13,475</u>	<u>6,825</u>

40. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Bank	3	-
Loan note	5,900	5,900
Loan from Group undertaking	15,735	2,961
	<u>21,638</u>	<u>8,861</u>

BUPA CARE HOMES (CFG) PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2005

41. TAX ON LOSS ON ORDINARY ACTIVITIES

(i) Analysis of tax charge in the year

	2005 £'000	2004 £'000
Current tax		
UK corporation tax on loss for the year	(2,450)	(612)
Adjustments in respect of prior periods	117	-
Total current tax	(2,333)	(612)
Deferred tax		
Adjustments in respect of prior periods	(117)	-
Tax on profit on ordinary activities	<u>(2,450)</u>	<u>(612)</u>

(ii) Factors affecting the tax charge

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

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	<u>(8,168)</u>	<u>(2,041)</u>
Tax charge on profit on ordinary activities at 30%	(2,450)	(612)
Effect of		
Adjustments to tax charge in respect of prior period	117	-
	<u>(2,333)</u>	<u>(612)</u>

42. INVESTMENTS

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost				
At 1 January 2005	154,804	52,000	-	206,804
Additions	120	-	23,155	23,275
At 31 December 2005	154,924	52,000	23,155	230,079
Provision				
At 1 January 2005 and 31 December 2005	(4,590)	-	-	(4,590)
Net book value at 31 December 2005	<u>150,334</u>	<u>52,000</u>	<u>23,155</u>	<u>225,489</u>
Net book value at 31 December 2004	<u>150,214</u>	<u>52,000</u>	<u>-</u>	<u>202,214</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE COMPANY FINANCIAL STATEMENTS**

for the year ended 31 December 2005

42. INVESTMENTS (CONTINUED)

At 31 December 2005, 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:

Name	Ordinary	Nominal	Business activity	Place of registration
	shares number	value £		
BUPA Care Homes Group Limited	50,000,000	1	Holding company of care homes operators	England and Wales
BUPA Care Homes (CFHCare) Limited*	124,999,999	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (CFCHomes) Limited *	53,368,562	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (Partnerships) Limited *	100	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (Bedfordshire) Limited	2	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (GL) Limited *	22,296,637	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (BNH) Limited *	157	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (AKW) Limited	1	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (Carrick) Limited (previously Carrick Care Homes Limited)	151,000	1	Owner and operator of care homes	Scotland
Crispins Nursing Homes Limited	1,000	1	Owner and operator of care homes	England and Wales
BUPA Care Homes (Developments) Limited (previously Takare Developments Limited)	2,200,000	1	Developer of care homes	England and Wales
Surgichem Limited	100,000	1	Manufacturer and distributor of monitored drug dosage systems	England and Wales
Kyle Building Services Limited *	100	1	Developer of care homes	Scotland

* 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.

On 5 August 2005, the Company's ultimate parent company, BUPA, acquired, through its subsidiaries, the entire share capital of ANS 2003 Plc. ANS 2003 Plc is registered in England and Wales and is the ultimate owner and operator of 44 care homes in the United Kingdom. In September 2005, the Company acquired 11% of the shares of ANS 2003 Plc from fellow Group undertakings for a consideration of £23,155,000.

In August 2005, the Company finalised the acquisition price of Carrick Nursing Homes Limited and its subsidiary. An additional cost of £119,000 was incurred and was treated as goodwill.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2005

42. INVESTMENTS (CONTINUED)

On 31 August 2005, the Company acquired the entire issued share capital of Crispins Nursing Homes Limited for a cash consideration of £1,000. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Other significant items £'000	Fair value to the Group £'000
Fixed Assets			
Goodwill	330	(330)	-
Creditors			
Bank loans and overdrafts	(174)	-	(174)
Trade creditors	(27)	-	(27)
Taxation and social security	(18)	-	(18)
Corporation tax	(25)	-	(25)
Other creditors	(60)	-	(60)
Provisions			
Deferred tax	16	-	16
Total liabilities	(288)	-	(288)
Net assets/(liabilities)	42	(330)	(288)
Goodwill			289
			1
Satisfied by			
Cash			1

The adjustment to goodwill relates to its impairment to nil as it has no value to the Group.

Crispins Nursing Homes Limited had a loss after tax of £40,000 in the year ended 31 March 2005. The summarised profit and loss account from 1 April 2005 to 31 August 2005, shown on the basis of the accounting policies of Crispins Nursing Homes Limited prior to the acquisition, is as follows:

	1 April to 31 August 2005 £'000
Turnover	547
Operating expenses	(534)
Operating profit	13
Tax on profit on ordinary activities	(4)
Profit for the financial period	9

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

The profit of Crispins Nursing Homes Limited for the period 1 September 2006 to 31 December 2005 was £16,000.

BUPA CARE HOMES (CFG) PLC**NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2005****43. DEBTORS**

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	132,960	98,588
Other debtors	<u>896</u>	<u>942</u>
	133,856	99,530
 Amounts falling due after one year:		
Amounts owed by Group undertakings	139,912	118,705
Deferred tax	<u>117</u>	<u>-</u>
	140,029	118,705

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

44. CREDITORS – amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to Group undertakings	220,204	108,385
Corporation tax	47	7
Accruals and deferred income	<u>312</u>	<u>302</u>
	220,563	108,694

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

	2005 £'000	2004 £'000
11.8% debenture stock	50,000	50,000
Amounts owed to Group undertakings	<u>73,744</u>	<u>100,988</u>
	123,744	150,988
 Loans are repayable as follows:		
In five years or more	<u>50,000</u>	<u>50,000</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.

BUPA CARE HOMES (CFG) PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 December 2005

46. DEFERRED TAXATION

Deferred tax assets are analysed as follows:

	Provided	
	2005	2004
	£'000	£'000
Other timing differences	<u>(117)</u>	<u>-</u>

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

	2005
	£'000
At 1 January 2005	-
Deferred tax credit for the year	<u>(117)</u>
At 31 December 2005	<u>(117)</u>

The net deferred tax provision is included within debtors.

47. SHARE CAPITAL

	2005	2004
	£'000	£'000
Authorised		
Equity interests		
220,000,000 ordinary shares of 25 pence each	<u>55,000</u>	<u>55,000</u>
Non equity interests		
20,000,000 preference shares of £1 each	<u>20,000</u>	<u>20,000</u>
	2005	2004
	£'000	£'000
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>

48. RESERVES

	Share premium account £'000	Capital redemption reserve fund £'000	Profit and loss account £'000
At 1 January 2005	114,141	2,110	4,040
Retained loss for the year	<u>-</u>	<u>-</u>	<u>(5,718)</u>
At 31 December 2005	<u>114,141</u>	<u>2,110</u>	<u>(1,678)</u>

BUPA CARE HOMES (CFG) PLC**NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2005****49. NOTES TO THE CASH FLOW STATEMENT**

	2005 £'000	2004 £'000
Loss from operations	(5)	(5)
(Increase)/Decrease in working capital		
Accruals and deferred income	<u>10</u>	<u>56</u>
Cash generated from operations	5	51
Interest paid	<u>(5,903)</u>	<u>(5,900)</u>
Net used in operating activities	<u>(5,898)</u>	<u>(5,849)</u>

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.