

BUPA CARE HOMES (CFG) PLC

Registered Number: 01969735

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 DECEMBER 2020



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Strategic report

The Directors present their Strategic report for Bupa Care Homes (CFG) plc ("the Company") for the year ended 31 December 2020

Principal activity

The principal activity of the Company for the year was to act as a holding company for a number of direct subsidiaries that are engaged in owning and operating nursing and residential homes for the elderly. The Company, together with fellow UK subsidiary undertakings of The British United Provident Association ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

Significant events

The Company issued 760,000,000 25p ordinary shares at par during the year ended 31 December 2020.

Results and key performance indicators

The profit for the year, after taxation, amounted to £555,000 (2019: loss £565,000). The Company had net assets of £239,194,000 (2019: £48,639,000). As a holding company, the most significant impact towards the result for the year has been the interest payable and receivable on group loans.

Business model

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

The UK aged care sector remains under pressure with increased costs including the ongoing impact of increases to the National Living Wage, first introduced in April 2016 which rose by 2.2% in April 2021. BCS continues to take a disciplined approach to fee negotiations with LAs, CCGs and other commissioners in order to recover the true cost of caring for publicly funded residents.

The combination of a national shortage of appropriately qualified nurses, other staff, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response to this we have introduced new schemes to ensure long term availability of skilled workers, such as an apprenticeship programme.

Future outlook

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

Since the 2015 Spending Review which announced new powers for councils to meet their funding obligations for social care, the Government has taken further, albeit limited, steps to increase funds for adult social care. The 2017 Budget announced new funding for councils to meet their funding obligations for social care, including an extension and increase to the annual Council Tax precept to 3% as well as increased allocations into the Better Care Fund and Adult Social Care Support Grant. More recently, the Government announced an additional injection of short-term funding in the 2018 Autumn Budget. A similar announcement was made in 2019, however the 2021 Budget did not contain any measures to support social care. While this funding was welcome, it is insufficient to address the long-term funding issues faced by the social care sector.

Strategic report (continued)

Future outlook (continued)

The outlook for longer term reform of the social care funding system in England remains unclear. The Government has committed to publishing proposals for long term reform of the social care funding system for consultation in the form of a White Paper. It is unclear when this will be published and there is little clarity regarding the Government's plans for the sector beyond a 2019 Conservative manifesto commitment that "nobody needing care should be forced to sell their home to pay for it".

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

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

Engaging with our stakeholders (section 172 (1) statement)

The Board has a duty to promote the success of the Company for the benefit of its members as a whole having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our customers and our people. Our suppliers, regulators and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas from performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term success.

The COVID-19 pandemic required us to adapt our approach to engaging with our stakeholders to reflect their changing needs and expectations in light of the crisis as a result of pandemic restrictions and different ways of working.

Customers

Customers are at the heart of our business. We aim to deliver truly outstanding, customer experiences, ensuring great clinical outcomes and value for money.

People

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves. A twice-yearly people survey (People Pulse) is run across Bupa Group in order to assess engagement. The scope of the survey undertaken in the first half of the year was scaled down due to the difficulties of conducting a survey when the pandemic was at its height across our businesses.

Our approach is led locally with all teams planning actions in the light of the People Pulse results and the Board and management team have engaged with our people on the issues important to them.

Strategic report (continued)

Engaging with our stakeholders (continued)

Regulators

Bupa's care homes are regulated by the Care Quality Commission and other relevant regulators. Regulators ultimately aim to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre.

Our regulators expect us to:

- have robust and effective processes and controls in place to mitigate risks to protect our customers
- provide a high-quality, clinically robust services
- ensure we operate in a sustainable way.

We have an open and honest relationship with the CQC and self-report incidents, work with the CQC to ensure we meet regulatory requirements and act quickly to address any issues or concerns raised.

Suppliers

Suppliers are critical to delivering a high-quality service to our customers and include systems suppliers and suppliers of products to our care homes. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct. We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

Communities and environment

We play an active role in the communities in which we operate and take care of the environment. The Bupa Group has dedicated Foundations in Australia, Spain and the UK to channel some of our investment. Community and the environment form two pillars of Bupa's ESG strategy. Bupa has established a Healthy Communities Fund, which is being directed towards mitigating the impact of COVID-19, with a particular focus on mental health.

We continue to evaluate the business risks and opportunities associated with climate change, closely managing our environmental impact and actively promoting positive environmental practices. During 2020, Bupa has been progressing our environment and climate action plan for 2021-2025, based on science-based targets.

Principal risks and uncertainties

The Company and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of chronic underfunding of social care in the UK and policy changes such as continued increases in the National Living Wage, making it difficult to plan and mitigate for such policies effectively.

The COVID-19 pandemic has led to considerable further financial pressure being placed on the already underfunded care sector, with significant additional costs incurred in meeting new infection control, staffing and data-sharing requirements imposed by the Government. As the ongoing cost of these additional requirements continue, it will be incumbent on local and central government to maintain the increased funding seen over the last year.

The UK's post-Brexit relationship with the EU also bring uncertainties. BCS monitored political developments closely and prepared for the operational, commercial, and legal implications of the new UK-EU relationship. This led to a stable and well-managed transition to new trading terms with minimal disruption to our supply chains.

Strategic report (continued)

Principal risks and uncertainties (continued)

There remain risks regarding the UK Government's Settled Status Scheme and wider migration policy. While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, this is dependent on those citizens applying for the scheme. The Government's immigration plans more generally focus on high-skilled migrants, this will impact the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the ongoing impact on the UK economy of the UK's departure from the EU.

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

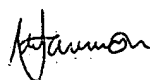
Registered Office:

1 Angel Court
London

EC2R 7HJ

25 June 2021

By Order of the Board



Michael Harrison
Director

Directors' report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2020.

Going concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from its immediate parent company, Bupa Finance plc, to meet its liabilities as they fall due for that period.

The Directors have prepared cash flow forecasts collectively for the entities which make up 'Bupa Care Services business' for a period of 12 months from the date of approval of these financial statements which indicate that, collectively, the Bupa Care Services business may require the financial support of the Bupa Group.

Whilst those forecasts are not specific to individual entities, in considering the contribution of the Company to the Bupa Care Services combined business, the Directors have concluded the Company is dependent on Bupa Finance plc providing additional financial support during that period.

Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date from the Company due to other entities in the group headed by Bupa Finance plc, for the period covered by the forecasts. The Directors have considered the impact of the COVID-19 pandemic on the ability of Bupa Finance plc to provide the financial support required by the Company. Bupa Finance plc's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance plc has adequate resources to provide such support to the Company as necessary. Therefore, the Directors are confident that Bupa Finance plc can provide financial support up to the level required for at least the next 12 months.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Dividends

The Directors do not recommend the payment of a dividend for the year (2019: £nil).

International Financial Reporting Standards and Financial Reporting Requirements

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

Directors' report (continued)

Directors

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

N S Barker
J M Elliott
M Harrison
C A Richardson (resigned 14 August 2020)

C R Campbell is the Company secretary and is not a present director.

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.

Workforce engagement

Culture and our people

The Bupa Board is responsible for establishing Bupa's purpose, values and strategy and ensuring that our culture is aligned to these at all levels of the organisation. In order to do our best for our customers, we need to take care of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Our culture is shaped by our values and the Bupa Code which sets out what we expect from our people to help them live our values and achieve our purpose. As part of our Five-Year Vision, the Bupa Board has also recently agreed a number of leadership imperatives, a set of competencies specific to customer, people, performance and purpose. These will help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All employees are required to complete mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Bupa Board monitors behaviours in a number of ways including:

- measuring our people's engagement level through our People Pulse survey tool semi-annually
- considering semi-annually the level of, and themes arising from, reports received through our 'Speak-Up' whistleblowing process and customer complaints
- taking into account how our people have lived our values and followed the Bupa Code in achieving their performance goals.

Engaging our people

The Code requires boards to understand the views of companies' key stakeholders and recommends a number of methods for engaging with our people. We believe that our existing people engagement mechanisms and channels, as enhanced during the year, provide an effective means of engaging with our people. Our existing engagement methods are described in more detail below.

Directors' report (continued)

Listening

The Group listens to its people and promotes a positive, flexible working environment and a diverse and inclusive culture so everyone can be their authentic selves at work. Our People Pulse survey tool provides sophisticated insights and benchmarking with other companies, so we can learn and listen to what is of interest or concern to our people and act, where appropriate, on what our people are telling us. The survey is run twice a year and each business receives reports on the results of each survey and challenges management on the level of participation and action taken to address key themes arising from the results.

This helps enhance decision-making and consideration of the longer-term impact of the Board's decisions on our people. Senior managers also regularly hold town hall meetings across sites or for their own teams, including on the Group's Full-Year and Half-Year results and strategy. There is a very proactive programme of internal communications via email, the intranet, presentations, and internal social media platforms. We also have employee forums for areas such as training and development, IT and security and for local office issues.

Diversity and inclusion

Our approach to diversity and our philosophy is based on inclusion for all. DiverCity, our employee network in the UK raises awareness and understanding of all areas of diversity and inclusion with groups focusing on topics including gender, ethnicity, LGBTQ+, mental wellbeing, ability, faith and working families. We are also working with INVolve to harness LGBTQ+, ethnic minority and female talent and help drive positive cultural change and increase diversity at all levels of our workforce and in the talent pipeline. We are also members of Business Disability International which helps companies and individuals to adapt the workplace and challenge attitudes to disability. The recruitment, training, career development and promotion of all employees is based on the skills, knowledge, and experience of the individual and takes no account of age, disability, race, beliefs, gender, sexual orientation or other characteristics. Should employees become disabled during employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Having a diverse workforce and an inclusive, accessible working environment, brings fresh views to the table and reflects the customers we serve and communities within which we operate. The People pillar of our corporate responsibility and sustainability (CRS) strategy aims to promote diversity and inclusion during 2020 by further embedding a culture that gives our people the freedom to be their whole selves at work, empower diverse and high performing teams and ensure that our people practices and policies support our people.

Mental health and wellbeing

Our approach to mental health focuses on raising awareness, creating supportive workplaces, encouraging open conversations and providing access to support and care. We are raising awareness of mental wellbeing in the workplace, encouraging open conversations and providing access to support and care through regular internal communications, campaigns such as for World Mental Health Day, online information, our Performance Energy resilience programme and training mental health first aiders.

Directors' report (continued)

Energy use and emissions data

In the Group's 2020 Annual Report, we published data on UK energy use and emissions for 2020. Further global performance data for 2020 (and 2019) and our future targets will be published during 2021. The Group has reported in line with the Streamlined Energy and Carbon Reporting (SECR) requirements of a large unquoted UK company for the first time and reported our emissions for UK only. As we progress the external audit by the Carbon Trust of our other markets during 2021, we will publish the remainder of the 2020 global emissions data from our other markets across the Group on bupa.com. We will also confirm 2019 global data once this too has been fully audited. In the next Annual Report we plan to report in line with the SECR requirements of a quoted UK company, further adopt the Task Force on Climate-related Financial Disclosures (TCFD) requirements, and include our global footprint for 2021.

Statement of corporate governance arrangements

The Group adheres to the policies and procedures adopted by the Bupa Group. Bupa complies with the UK Corporate Governance Code 2018 (Code) and ensures that its governance responsibilities under the Code are enacted effectively with relevant provisions and principles being applied throughout the Bupa Group.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

The Bupa Audit Committee agreed to put the external audit of the Group out to tender to comply with EU Audit Regulation (Regulation 537/2014/EU) transitional arrangements, which require the Group to rotate its audit firm at the time of next appointment on or after 17 June 2020.

The Bupa Annual Report 2019 sets out the full audit tender process, outcome and timeline.

The Bupa Board agreed to appoint PwC as the Group's External Auditor from 1 January 2021 and the Company's Board will formally appoint PwC for the year ended 31 December 2021 following the Bupa AGM in May 2021.

Registered Office:

1 Angel Court

London
EC2R 7HJ

25 June 2021

By Order of the Board



Michael Harrison
Director

Statement of directors' responsibilities in respect of the Strategic report the Directors' report and the financial statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Bupa Care Homes (CFG) plc

Opinion

We have audited the financial statements of Bupa Care Homes (CFG) plc ("the company") for the year ended 31 December 2020 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of Bupa Care Homes (CFG) plc (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and an inspection of policy documentation as to Bupa Finance plc group's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, including: the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. In determining the audit procedures, we have taken into account the results of our evaluation and we performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual accounts involving revenue.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report to the Members of Bupa Care Homes (CFG) plc (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Bupa Care Homes (CFG) plc (continued)

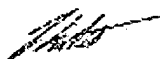
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Clare Partridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Date: 29 June 2021

**Profit and loss account and other comprehensive income
for the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
Dividend income		-	269,869
Disposal of investment in subsidiary		-	(269,869)
Interest receivable and similar income	5	7,748	9,008
Interest payable and similar charges	6	(7,952)	(9,706)
Loss before taxation		(204)	(698)
Tax on loss on ordinary activities	8	759	133
Profit / (loss) for the financial year		555	(565)
Total comprehensive income / (expense) for the year		555	(565)

The notes on pages 17 to 26 form part of these financial statements.

Balance sheet

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	711,233	705,693
Current assets			
Debtors - due within one year	10	1,803	1,039
Creditors: amounts falling due within one year	11	-	(190,002)
Net current assets / (liabilities)		1,803	(188,963)
Total assets less current liabilities		713,036	516,730
Creditors: amounts falling due after more than one year	12	(473,842)	(468,091)
Net assets		239,194	48,639
Capital and reserves			
Called up share capital	13	230,553	40,553
Share premium		114,141	114,141
Capital redemption reserve		2,110	2,110
Profit and loss account		(107,610)	(108,165)
Shareholders' funds		239,194	48,639

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



Michael Harrison
Director

Registered number: 01969735

25 June 2021

The notes on pages 17 to 26 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	40,553	114,141	2,110	(108,165)	48,639
Profit / (loss) for the year	-	-	-	555	555
Share capital issued	190,000	-	-	-	190,000
Balance as at 31 December 2020	230,553	114,141	2,110	(107,610)	239,194

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019	40,553	114,141	2,110	(107,600)	49,204
Profit / (loss) for the year	-	-	-	(565)	(565)
Balance as at 31 December 2019	40,553	114,141	2,110	(108,165)	48,639

The notes on pages 17 to 26 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

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

(a) Basis of preparation

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

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

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

(b) Exemptions from the requirements of IFRS

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

- A cash flow statement and related notes;
- Comparative period reconciliations for investments;
- Disclosures in respect of transactions with wholly owned subsidiaries within the consolidated group;
- Disclosures in respect of capital management;
- An additional balance sheet for the beginning of the earliest comparative period following the transition to FRS 101;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of key management personnel.

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

As the consolidated financial statements of Bupa (note 3) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

(c) New standards, amendments and IFRIC interpretations

The following financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2020 and have not been early adopted by the Company. They are not expected to have a significant impact when they are effective.

- IFRS 17 – Insurance Contracts
- IAS 1, 16 and 37 amendments
- IFRS 1, 3 and 9 amendments
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interest rate benchmark reform

(d) Going concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of COVID-19, the Company will have sufficient funds, through funding from its immediate parent company, Bupa Finance plc, to meet its liabilities as they fall due for that period.

The Directors have prepared cash flow forecasts collectively for the entities which make up 'Bupa Care Services business' for a period of 12 months from the date of approval of these financial statements which indicate that, collectively, the Bupa Care Services business may require the financial support of the Bupa Group.

Whilst those forecasts are not specific to individual entities, in considering the contribution of the Company to the Bupa Care Services combined business, the Directors have concluded the Company is dependent on Bupa Finance plc providing additional financial support during that period.

Bupa Finance plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date from the Company due to other entities in the group headed by Bupa Finance plc, for the period covered by the forecasts. The Directors have considered the impact of the COVID-19 pandemic on the ability of Bupa Finance plc to provide the financial support required by the Company. Bupa Finance plc's going concern status has been considered and, based on its current position, forecast results and solvency capital, it has been concluded that Bupa Finance plc has adequate resources to provide such support to the Company as necessary. Therefore, the Directors are confident that Bupa Finance plc can provide financial support up to the level required for at least the next 12 months.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

(e) Exemption from consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group (note 3).

Notes to the financial statements (continued)

1. Accounting policies (continued)

(f) Interest income

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

(g) Taxation and deferred taxation

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

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

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

(h) Investment

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(i) Share capital

Ordinary shares are classified as equity.

(j) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

1. Accounting policies (continued)

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Provisions

Provisions are recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements (continued)

2. Critical accounting estimates and judgments

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

(a) Property valuations of subsidiary undertakings

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

3. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Bupa Finance plc, with its registered office at 1 Angel Court, London EC2R 7HJ.

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

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

4. Staff costs and directors' remuneration

Staff costs

There were no staff costs for the year ended 31 December 2020 (2019: £nil)

Directors' remuneration

The emoluments of the Directors are borne entirely by the other Bupa Group companies and are disclosed in the financial statements of those companies. The Company acts as a holding company and had no other employee costs during the current or preceding year.

5. Other interest receivable and similar income

	2020 £'000	2019 £'000
Bupa group undertakings	7,748	9,008

6. Interest payable and similar charges

	2020 £'000	2019 £'000
Bupa group undertakings	7,952	9,706

Notes to the financial statements (continued)

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2020	2019
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	2	2

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

8. Tax on loss on ordinary activities

(i) Tax included in profit or loss

	2020	2019
	£'000	£'000
UK corporation tax on loss for the year	(39)	(133)
Adjustments in respect of prior periods	(720)	-
Total current tax	(759)	(133)
Total tax on loss on ordinary activities	(759)	(133)

(ii) Reconciliation of effective tax rate

	2020	2019
	£'000	£'000
Loss on ordinary activities before taxation	(204)	(698)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(39)	(133)
Effects of:		
Adjustments in respect of current income tax of previous years	(720)	-
Expenses not deductible for tax purposes	-	51,275
Non-assessable income	-	(51,275)
Tax on loss on ordinary activities	(759)	(133)

Notes to the financial statements (continued)

9. Investments

	Shares in subsidiary undertakings £'000	Loan to group undertakings £'000	Total £'000
Cost			
At 1 January 2020	269,869	435,824	705,693
Addition	-	5,540	5,540
At 31 December 2020	269,869	441,364	711,233
Provisions for impairment			
At 1 January 2020	-	-	-
At 31 December 2020	-	-	-
Net book value			
At 31 December 2020	269,869	441,364	711,233
At 31 December 2019	269,869	435,824	705,693

Notes to the financial statements (continued)

9. Investments (continued)

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings of the Company and the percentage of each share class owned as at 31 December 2020, all of which have their registered office at 1 Angel Court, London, EC2R 7HJ unless stated otherwise, are disclosed below:

Name	Share Class Held	% held Indirectly	% held Directly
Bupa Care Homes (AKW) Limited	Ordinary	100	-
Bupa Care Homes (ANS) Limited	Ordinary Special	- -	100 100
Bupa Care Homes (Bedfordshire) Limited	Ordinary	100	-
Bupa Care Homes (BNH) Limited	Ordinary	100	-
Bupa Care Homes (BNHP) Limited	Ordinary	100	-
Bupa Care Homes (Carrick) Limited*	Ordinary	100	-
Bupa Care Homes (CFCHomes) Limited	Ordinary	100	-
Bupa Care Homes (CFHCare) Limited	Ordinary, Redeemable Preference	100 -	- 100
Bupa Care Homes (Developments) Limited	Ordinary	100	-
Bupa Care Homes (GL) Limited	Ordinary	100	-
Bupa Care Homes (HH Bradford) Limited	Ordinary	100	-
Bupa Care Homes (HH Hull) Limited	Ordinary	100	-
Bupa Care Homes (HH Leeds) Limited	Ordinary	100	-
Bupa Care Homes (HH Northumberland) Limited	Ordinary	100	-
Bupa Care Homes (HH Scunthorpe) Limited	Ordinary	100	-
Bupa Care Homes (HH) Limited	Ordinary	100	-
Bupa Care Homes (Partnerships) Limited	Ordinary	100	-
Bupa Care Homes (PT Lindsay Prop) Limited	Ordinary	100	-
Bupa Care Homes (PT Lindsay) Limited	Ordinary	100	-
Bupa Care Homes (PT Links Prop) Limited	Ordinary	100	-
Bupa Care Homes (PT Links) Limited	Ordinary	100	-
Bupa Care Homes (PT) Limited	Ordinary	100	-
Fulford Grange Medical Centre Limited	Ordinary	50	-
Watertight Investments Limited	Ordinary	100	-

* Registered office: 39 Victoria Road, Glasgow, G78 1NQ

Loans to group undertakings

The Company shared in loans to subsidiary undertakings measured at cost and loans to group undertakings measured at FV and subsequently amortised cost.

Group undertakings	Date issued	Repayment date	Interest rate	2020 £'000	2019 £'000
Bupa Care Homes (GL) Limited	December 2013	December 2023	Six-month LIBOR plus 110 basis points	57,301	56,298
Bupa Care Homes (CFCHomes) Limited	December 2013	December 2023	Six-month LIBOR plus 110 basis points	97,109	95,411
Bupa Care Homes (CFHCare) Limited	December 2013	December 2023	Six-month LIBOR plus 110 basis points	161,102	160,465
Bupa Care Homes (BNH) Limited	May 2014	May 2024	Six-month LIBOR plus 110 basis points	125,852	123,650
				441,364	435,824

Notes to the financial statements (continued)

10. Debtors

	2020 £'000	2019 £'000
Amounts due within one year		
Amounts owed by Bupa group undertakings	1,803	1,039

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

11. Creditors – amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to Bupa group undertakings	-	190,002
	-	190,002

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

During the year, the Company issued 760,000,000 25p shares at par to its immediate parent undertaking and immediately repaid the £190,000,000 creditor.

12. Creditors – amounts falling due after more than one year

	2020 £'000	2019 £'000
Loans owed to Bupa group undertakings	473,842	468,091

Loans owed to Bupa group undertakings are repayable after ten years as follows:

Group undertakings	Date issued	Repayment date	Interest rate	2020 £'000	2019 £'000
Bupa Finance plc	December 2013	December 2023	110 basis points over six-month LIBOR	433,710	426,489
Bupa Care Homes (Bedfordshire) Limited	December 2013	December 2023	110 basis points over six-month LIBOR	11,482	11,282
Bupa Care Homes (Partnerships) Limited	December 2013	December 2023	110 basis points over six-month LIBOR	1,874	1,842
Bupa Care Homes (AKW) Limited			110 basis points over six-month LIBOR	3,277	3,220
Bupa Care Homes (Carrick) Limited	June 2017	June 2027	110 basis points over six-month LIBOR	20,925	20,558
Bupa Care Homes (ANS) Limited	July 2016	December 2026	110 basis points over six-month LIBOR	2,574	4,700
				473,842	468,091

Notes to the financial statements (continued)

13. Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
922,213,958 (2019: 162,213,958) ordinary shares of 25 pence each	230,553	40,553

The Company issued 760,000,000 25p ordinary shares at par to its immediate parent undertaking during the year ended 31 December 2020.

14. Contingent liabilities, guarantees and other financial commitments

(i) Contingent liabilities

At 31 December 2017, the Company was party to a £800 million revolving credit facility. The Company has joint and several liabilities for all obligations under the agreement.

(ii) Guarantees

The Company has given a guarantee in respect of a £350 million bond issue by Bupa Finance plc. On 17 June 2014, Bupa Finance plc issued £350m of 3.375% senior unsecured notes with a maturity date of June 2021. The notes are guaranteed by The British United Provident Association Limited. On 17 June 2021, the notes were repaid.

(iii) Financial commitments

The Company has no outstanding commitments at the end of either year.

(iv) Capital commitments

The Company has no outstanding capital commitments at the end of either year.

15. Related party transaction

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

See note 4 for disclosure of the Directors' remuneration.