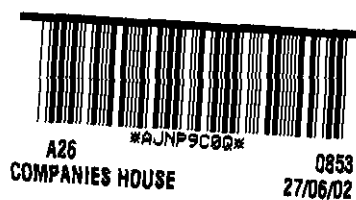


**CARE FIRST GROUP PLC**

**(Registered No. 1969735)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2001**



## **CARE FIRST GROUP PLC**

### **REPORT OF THE DIRECTORS for the year ended 31 December 2001**

The directors present their annual report and the consolidated audited financial statements for the year ended 31 December 2001.

**1. Principal activity**

The principal activities of the Company are the development, ownership and operation of nursing and residential homes for the elderly.

**2. Review of the business**

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

**3. Results and dividends**

The profit for the year, after taxation, amounted to £4,724,000 (2000 - £6,577,000).

The directors do not recommend the payment of an ordinary dividend (2000 - £nil).

A preference dividend at the rate of 5.85% (2000 - 5.65%) per annum will be paid on 27 August 2002.

**4. Directors and directors' interests**

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

J P Davies  
M Ellerby  
N R Taylor  
A D Walford

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

**5. Employees and remuneration**

Details of the number of persons employed and gross remuneration are contained in note 3 to the consolidated 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.

**6. Policy for paying creditors**

The Company'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 company at 31 December 2001 were equivalent to 23 (2000 - 27) days' purchases, based on the average daily amount invoiced by suppliers during the year.

**CARE FIRST GROUP PLC**

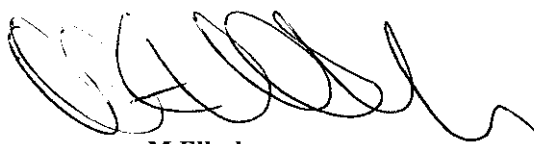
**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2001**

**7. Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

By Order of the Board

A handwritten signature in black ink, appearing to be 'M Ellerby', written in a cursive style.

**M Ellerby**  
**Director**

22 May 2002

## **CARE FIRST GROUP PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the consolidated financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CARE FIRST GROUP PLC**

We have audited the financial statements set out on pages 5 to 22.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the consolidated financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated 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 consolidated financial statements.

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leeds

22 May 2002



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

# CARE FIRST GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

|  | Note | 2001<br>£'000    | 2000<br>£'000    |
|--|------|------------------|------------------|
| <b>Turnover</b>  |      |                  |                  |
| Continuing operations                                    | 1    | 335,807          | 314,454          |
| Acquisitions   | 1    | <u>3,136</u>     | <u>-</u>         |
|  |      | <u>338,943</u>   | <u>314,454</u>   |
| <br>Operating expenses                                   |      |                  |                  |
| Continuing operations                                    |      | (329,924)        | (311,176)        |
| Acquisitions   |      | <u>(2,359)</u>   | <u>-</u>         |
|  |      | <u>(332,283)</u> | <u>(311,176)</u> |
| <br><b>Operating profit</b>                              |      |                  |                  |
| Continuing operations                                    |      | 5,883            | 3,278            |
| Acquisitions   |      | <u>777</u>       | <u>-</u>         |
|  |      | 6,660            | 3,278            |
| <br>Profit on sale of fixed assets                       |      | 346              | 51               |
| Provisions for liabilities in participating interests    | 4    | (7,062)          | (5,461)          |
| Interest receivable and similar income                   | 5    | 11,854           | 15,807           |
| Interest payable and similar charges                     | 6    | <u>(7,564)</u>   | <u>(8,007)</u>   |
| <br><b>Profit on ordinary activities before taxation</b> | 7    | 4,234            | 5,668            |
| <br>Tax on profit on ordinary activities                 | 8    | <u>490</u>       | <u>909</u>       |
| <br><b>Profit for the financial year</b>                 |      | 4,724            | 6,577            |
| <br>Dividends payable on non-equity shares               | 9    | <u>(4,003)</u>   | <u>(3,864)</u>   |
| <br><b>Retained profit for the financial year</b>        |      | <u>721</u>       | <u>2,713</u>     |

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

The accounting policies and notes on pages 8 to 22 form part of these consolidated financial statements.

**CARE FIRST GROUP PLC**

**CONSOLIDATED BALANCE SHEET**  
as at 31 December 2001

|  | Note | Group            |                  | Company         |                 |
|--|------|------------------|------------------|-----------------|-----------------|
|  |      | 2001<br>£'000    | 2000<br>£'000    | 2001<br>£'000   | 2000<br>£'000   |
| <b>Fixed assets</b>  |      |                  |                  |                 |                 |
| Intangible assets  | 10   | 5,969            | 8,140            | -               | -               |
| Tangible assets  | 11   | 269,585          | 261,269          | -               | -               |
| Investments  | 12   | -                | -                | 142,675         | 140,948         |
|  |      | <u>275,554</u>   | <u>269,409</u>   | <u>142,675</u>  | <u>140,948</u>  |
| <b>Current assets</b>  |      |                  |                  |                 |                 |
| Stock  |      | 315              | 254              | -               | -               |
| Debtors  |      | 360,615          | 392,903          | 93,808          | 95,191          |
| Debtors due within one year                                    | 13   | 169,764          | 202,162          | 93,808          | 95,191          |
| Debtors due after one year                                     | 13   | 190,851          | 190,741          | -               | -               |
| Cash at bank and in hand                                       |      | 14,256           | 13,424           | 3               | 7               |
|  |      | <u>375,186</u>   | <u>406,581</u>   | <u>93,811</u>   | <u>95,198</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 14   | <u>(174,396)</u> | <u>(209,164)</u> | <u>(22,487)</u> | <u>(22,803)</u> |
| <b>Net current assets</b>                                      |      | <u>200,790</u>   | <u>197,417</u>   | <u>71,324</u>   | <u>72,395</u>   |
| <b>Total assets less current liabilities</b>                   |      | <u>476,344</u>   | <u>466,826</u>   | <u>213,999</u>  | <u>213,343</u>  |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | (97,518)         | (95,947)         | (50,000)        | (50,000)        |
| <b>Provisions for liabilities and charges</b>                  | 16   | <u>(22,813)</u>  | <u>(15,587)</u>  | <u>-</u>        | <u>-</u>        |
|  |      | <u>356,013</u>   | <u>355,292</u>   | <u>163,999</u>  | <u>163,343</u>  |
| <b>Capital and reserves</b>                                    |      |                  |                  |                 |                 |
| Called up share capital  | 17   | 40,553           | 40,553           | 40,553          | 40,553          |
| Share premium account  | 18   | 114,141          | 114,141          | 114,141         | 114,141         |
| Revaluation reserve  | 18   | 28,299           | 28,299           | -               | -               |
| Merger reserve   | 18   | 36,563           | 36,563           | -               | -               |
| Capital redemption reserve                                     | 18   | 2,110            | 2,110            | 2,110           | 2,110           |
| Profit and loss account  | 18   | 64,347           | 63,626           | 7,195           | 6,539           |
| <b>Equity shareholders' funds</b>                              |      | <u>286,013</u>   | <u>285,292</u>   | <u>163,999</u>  | <u>163,343</u>  |
| <b>Non-equity minority interests</b>                           |      | <u>70,000</u>    | <u>70,000</u>    | <u>-</u>        | <u>-</u>        |
|  |      | <u>356,013</u>   | <u>355,292</u>   | <u>163,999</u>  | <u>163,343</u>  |

These consolidated financial statements were approved by the Board of Directors on 22 May 2002 and were signed on its behalf by:

N R Taylor  
Director



The accounting policies and notes on pages 8 to 22 form part of these consolidated financial statements.

**CARE FIRST GROUP PLC**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 2001

|  | 2001<br>£'000 | 2000<br>£'000 |
|--|---------------|---------------|
| Profit for the financial year  | 4,724         | 6,577         |
| Unrealised surplus on revaluation of properties                          | -             | 6,024         |
| Total recognised gains and losses since last annual reports and accounts | <u>4,724</u>  | <u>12,601</u> |

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
for the year ended 31 December 2001

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2001<br>£'000  | 2000<br>£'000  | 2001<br>£'000  | 2000<br>£'000  |
| Profit for the financial year                                | 4,724          | 6,577          | 656            | 1,061          |
| Dividends on non-equity shares                               | <u>(4,003)</u> | <u>(3,864)</u> | <u>-</u>       | <u>-</u>       |
|  | 721            | 2,713          | 656            | 1,061          |
| Other recognised gains and losses relating to the year (net) | <u>-</u>       | <u>6,024</u>   | <u>-</u>       | <u>-</u>       |
| Net addition to shareholders' funds                          | 721            | 8,737          | 656            | 1,061          |
| Opening shareholders' funds                                  | <u>355,292</u> | <u>346,555</u> | <u>163,343</u> | <u>162,282</u> |
| Closing shareholders' funds                                  | <u>356,013</u> | <u>355,292</u> | <u>163,999</u> | <u>163,343</u> |



## CARE FIRST GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

#### 1. STATEMENT OF ACCOUNTING POLICIES

##### (a) Basis of preparation

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

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (BUPA), it has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 8 "Related Party Disclosures" and has therefore not disclosed separately transactions or balances with entities which form part of the BUPA Group of companies.

##### Changes in accounting policies

The Group is complying with FRS 17 "Retirement Benefits" for the first time this year. The transitional reporting requirements are being adopted for the next two years and full compliance will be reported in 2003.

##### Accounting conventions

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

##### (b) Cash flow statement

The Company is exempt from the requirements of FRS 1 "Cash Flow Statements" to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of BUPA, and its cash flows are included within the consolidated cash flow statement of that company.

##### (c) Basis of consolidation

The Group financial statements consolidate the accounts of the parent company and its subsidiaries up to 31 December 2001. Subsidiaries acquired or disposed of in the year have been included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

##### (d) Goodwill and intangible fixed assets

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

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

##### (e) Turnover

Turnover represents the total amount earned by the Group in the ordinary course of business for services rendered after deducting trade discounts and Value Added Tax, where applicable. All turnover arises within the United Kingdom.

##### (f) Stocks

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

## CARE FIRST GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

#### (g) Fixed assets and depreciation

Freehold and leasehold properties are stated at current valuation. Other tangible assets are stated at cost. Land and buildings are valued by external valuers every three years. No depreciation is provided on freehold land and properties under construction. Other tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their useful economic lives, as follows:

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

#### (h) Pensions and other post retirement benefits

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

Contributions to the defined benefit scheme are charged to the profit and loss account over the expected average remaining service lives of employees. Any difference between the cumulative charge to the profit and loss account and the contributions paid to the schemes is included as a provision in the balance sheet.

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

#### (i) Taxation including deferred taxation

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

#### (j) Leases

Leasing arrangements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is shorter. The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation, and the interest element is charged against results in proportion to the capital element outstanding.

Operating lease rentals are charged against results on a straight line basis over the term of the lease.

## 2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of BUPA Finance plc which is registered in England and Wales.

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

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 3. STAFF COSTS AND DIRECTORS' REMUNERATION

#### (a) Employees

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

|             | Number of employees |               |
|-------------|---------------------|---------------|
|             | 2001                | 2000          |
| Health care | 16,150              | 15,704        |
| Other       | 393                 | 551           |
|             | <u>16,543</u>       | <u>16,255</u> |

The aggregate payroll costs of these persons were as follows:

|                       | 2001<br>£'000  | 2000<br>£'000  |
|-----------------------|----------------|----------------|
| Wages and salaries    | 165,788        | 157,207        |
| Social security costs | 14,635         | 12,733         |
| Other pension costs   | 1,638          | 1,758          |
|                       | <u>182,061</u> | <u>171,698</u> |

#### (b) Directors' remuneration

|                                 | 2001<br>£'000 | 2000<br>£'000 |
|---------------------------------|---------------|---------------|
| Aggregate emoluments            | 330           | 500           |
| Compensation for loss of office | -             | 159           |
| Pension contributions           | 36            | 31            |
|                                 | <u>366</u>    | <u>690</u>    |

#### Highest paid director

|            |            |            |
|------------|------------|------------|
| Emoluments | <u>204</u> | <u>401</u> |
|------------|------------|------------|

Retirement benefits accruing to one director (2001 - 1) under a defined benefits scheme amounted to £16,000 (2000 - £13,000). The highest paid director does not participate in the group pension scheme.

### 4. PROVISIONS FOR LIABILITIES IN PARTICIPATING INTERESTS

|   | 2001<br>£'000 | 2000<br>£'000 |
|---|---------------|---------------|
| Shares of liabilities in The Care Homes Partnership | <u>7,062</u>  | <u>5,461</u>  |

**CARE FIRST GROUP PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2001

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

|                | <b>2001</b>   | <b>2000</b>   |
|----------------|---------------|---------------|
|                | <b>£'000</b>  | <b>£'000</b>  |
| Loan interest  | 11,585        | 14,922        |
| Other interest | 269           | 885           |
|                | <u>11,854</u> | <u>15,807</u> |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                           | <b>2001</b>  | <b>2000</b>  |
|---------------------------|--------------|--------------|
|                           | <b>£'000</b> | <b>£'000</b> |
| Bank loans and overdrafts | 1,264        | 1,804        |
| Finance leases            | 400          | 303          |
| Debenture stock           | 5,900        | 5,900        |
|                           | <u>7,564</u> | <u>8,007</u> |

**7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

|   | <b>2001</b>  | <b>2000</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Profit on ordinary activities is stated after charging:</b>    |              |              |
| Depreciation and other amounts written off tangible fixed assets: |              |              |
| Owned   | 12,876       | 11,119       |
| Leased  | 1,640        | 814          |
| Impairment in value of care homes                                 | -            | 1,265        |
| Amortisation of goodwill  | 2,245        | 2,171        |
| Auditors' remuneration:   |              |              |
| Audit   | 236          | 213          |
| Other services  | 6            | 21           |
| Operating lease rentals:  |              |              |
| Land and buildings  | 26,214       | 26,246       |
| Equipment   | 1,660        | 252          |
|   | <u></u>      | <u></u>      |

# **CARE FIRST GROUP PLC**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001**

### **8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|   | <b>2001<br/>£'000</b> | <b>2000<br/>£'000</b> |
|---|-----------------------|-----------------------|
| The taxation (credit)/charge is based on the result for the year: |                       |                       |
| Corporation tax   | (324)                 | -                     |
| Deferred taxation   | (630)                 | 456                   |
| Taxation (over)/under provided in previous years:                 |                       |                       |
| Corporation tax   | (54)                  | 297                   |
| Deferred taxation   | 518                   | (1,662)               |
|   | <u>(490)</u>          | <u>(909)</u>          |

The current year's UK corporation tax charge has been reduced due to surrender of group relief from fellow BUPA Group undertakings, for which no payment has been made. The current year corporation tax charge would otherwise have amounted to £3,526,000 (2000 - £3,272,000).

### **9. DIVIDENDS**

|   | <b>2001<br/>£'000</b> | <b>2000<br/>£'000</b> |
|---|-----------------------|-----------------------|
| Non-equity dividends:   |                       |                       |
| Dividends at 5.85% on cumulative redeemable preference shares of £1 each (2000 - 5.65%) | <u>4,003</u>          | <u>3,864</u>          |

### **10. INTANGIBLE FIXED ASSETS**

|                       | <b>Goodwill<br/>£'000</b> |
|-----------------------|---------------------------|
| <b>Cost</b>           |                           |
| At 1 January 2001     | 10,854                    |
| Additions             | <u>74</u>                 |
| At 31 December 2001   | <u>10,928</u>             |
| <b>Amortisation</b>   |                           |
| At 1 January 2001     | 2,714                     |
| Charge for year       | <u>2,245</u>              |
| At 31 December 2001   | <u>4,959</u>              |
| <b>Net Book Value</b> |                           |
| At 31 December 2001   | <u>5,969</u>              |
| At 31 December 2000   | <u>8,140</u>              |

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 11. TANGIBLE FIXED ASSETS

|                                      | Land &<br>buildings | Fixtures,<br>fittings &<br>equipment | Total          |
|--------------------------------------|---------------------|--------------------------------------|----------------|
|                                      | £'000               | £'000                                | £'000          |
| <b>Group</b>                         |                     |                                      |                |
| <b>Cost or valuation</b>             |                     |                                      |                |
| At 1 January 2001                    | 204,824             | 109,177                              | 314,001        |
| Additions                            | 15,623              | 10,243                               | 25,866         |
| Disposals                            | (1,026)             | (2,910)                              | (3,936)        |
| Transfers (to)/from Group companies  | (29)                | 528                                  | 499            |
| Reclassifications                    | (530)               | 530                                  | -              |
| At 31 December 2001                  | <u>218,862</u>      | <u>117,568</u>                       | <u>336,430</u> |
| <b>Depreciation</b>                  |                     |                                      |                |
| At 1 January 2001                    | 9,410               | 43,322                               | 52,732         |
| Charge for the year                  | 3,313               | 11,203                               | 14,516         |
| Disposals                            | (99)                | (304)                                | (403)          |
| Reclassifications                    | 255                 | (255)                                | -              |
| At 31 December 2001                  | <u>12,879</u>       | <u>53,966</u>                        | <u>66,845</u>  |
| <b>Net Book Value</b>                |                     |                                      |                |
| <b>At 31 December 2001</b>           | <u>205,983</u>      | <u>63,602</u>                        | <u>269,585</u> |
| At 31 December 2000                  | <u>195,414</u>      | <u>65,855</u>                        | <u>261,269</u> |
| <b>Leased assets included above:</b> |                     |                                      |                |
| <b>Net Book Value</b>                |                     |                                      |                |
| <b>At 31 December 2001</b>           | <u>29,164</u>       | <u>4,709</u>                         | <u>33,873</u>  |
| At 31 December 2000                  | <u>29,168</u>       | <u>2,835</u>                         | <u>32,003</u>  |

The Group's land and buildings were valued by Knight Frank, Chartered Surveyors at 31 October 2000 on the basis of existing use. The valuation has been made in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. These valuations were incorporated into the balance sheet at 31 December 2000. Other tangible assets are stated at cost.

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 11. TANGIBLE FIXED ASSETS - (CONTINUED)

Particulars relating to revalued assets are given below:

|   | 2001<br>Land &<br>buildings<br>£'000 | 2000<br>Land &<br>buildings<br>£'000 |
|---|--------------------------------------|--------------------------------------|
| At open market value                            | 191,091                              | 192,771                              |
| At cost   | 27,771                               | 12,148                               |
| Impairment                                      | (1,265)                              | (1,265)                              |
| Aggregate depreciation thereon                  | (11,614)                             | (7,740)                              |
|   | <u>205,983</u>                       | <u>195,414</u>                       |
| Historical cost of revalued assets              | 194,388                              | 181,900                              |
| Aggregate depreciation based on historical cost | (17,420)                             | (14,748)                             |
| Historical cost net book value                  | <u>176,968</u>                       | <u>167,152</u>                       |

### 12. INVESTMENTS

| Company                                   | Shares in<br>subsidiary<br>undertakings<br>£'000 | Loans to<br>subsidiary<br>undertakings<br>£'000 | Total<br>£'000 |
|---|--|---|----------------|
| <b>Cost</b>                               |  |   |                |
| At 1 January 2001                         | 93,538   | 52,000  | 145,538        |
| Additions                                 | <u>1,727</u>                                     | <u>-</u>  | <u>1,727</u>   |
| At 31 December 2001                       | 95,265   | 52,000  | 147,265        |
| <b>Provision</b>                          |  |   |                |
| At 1 January 2001 and 31 December 2001    | <u>(4,590)</u>                                   | <u>-</u>  | <u>(4,590)</u> |
| <b>Net book value at 31 December 2001</b> | <u>90,675</u>                                    | <u>52,000</u>                                   | <u>142,675</u> |
| Net book value at 31 December 2000        | <u>88,948</u>                                    | <u>52,000</u>                                   | <u>140,948</u> |

At 31 December 2001, the Company owned the whole of the issued share capital of the following undertakings either directly or indirectly which operate in the United Kingdom and are registered in England and Wales.

## CARE FIRST GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

#### 12. INVESTMENTS - (CONTINUED)

| Name                                       | Ordinary<br>shares<br>Number | Nominal<br>value<br>£ | Business Activity   |
|--|------------------------------|-----------------------|---|
| BUPA Care Homes Group Limited              | 50,000,000                   | 1                     | Holding company of care homes operators                       |
| Care First Health Care Limited *           | 125,000,000                  | 1                     | Owner and operator of care homes                              |
| Care First Care Homes Limited *            | 53,368,562                   | 1                     | Owner and operator of care homes                              |
| Care First Partnerships Limited *          | 100                          | 1                     | Owner and operator of care homes                              |
| Care First Bedfordshire Limited            | 2                            | 1                     | Owner and operator of care homes                              |
| Goldsborough Limited *                     | 22,296,637                   | 1                     | Owner and operator of care homes                              |
| BUPA Nursing Homes Limited *               | 157                          | 1                     | Owner and operator of care homes                              |
| Takare Developments Limited *              | 2,200,000                    | 1                     | Developer of care homes                                       |
| Surgichem Limited                          | 100,000                      | 1                     | Manufacturer and distributor of monitored drug dosage systems |
| Downing Harnham Croft Nursing Home Limited | 1,900,002                    | 0.50                  | Owner and operator of care homes                              |

\* Investment held by subsidiary undertaking.

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

On 16 October 2001, the Company acquired 100% of the issued share capital of Downing Harnham Croft Nursing Home Limited for consideration comprising of cash. The fair value of the total consideration was £1,727,000 including acquisition costs of £18,000. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:



# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 12. INVESTMENTS - (CONTINUED)

|                          | Book<br>value<br>£'000 | Other<br>significant<br>items<br>£'000 | Fair value<br>to Group<br>£'000 |
|--------------------------|------------------------|--|---------------------------------|
| <b>Fixed assets</b>      | 1,513                  | -                                      | 1,513                           |
| <b>Current assets:</b>   |                        |  |                                 |
| Debtors                  | 45                     | (16)                                   | 29                              |
| Cash at bank and in hand | 241                    | -                                      | 241                             |
| <b>Total assets</b>      | 1,799                  | (16)                                   | 1,783                           |
| <b>Creditors:</b>        |                        |  |                                 |
| Trade creditors          | (24)                   | -                                      | (24)                            |
| Other creditors          | (62)                   | -                                      | (62)                            |
| Taxation                 | (44)                   | -                                      | (44)                            |
| <b>Total liabilities</b> | (130)                  | -                                      | (130)                           |
| <b>Net assets</b>        | 1,669                  | (16)                                   | 1,653                           |
| Goodwill                 |                        |  | 74                              |
| Cash consideration       |                        |  | 1,727                           |

The adjustment to debtors was required to write off the irrecoverable ACT which has no fair value to the Group.

Net cash outflows in respect of the acquisition comprised:

|                                   | £'000        |
|-----------------------------------|--------------|
| Cash consideration                | 1,727        |
| Cash at bank and in hand acquired | (241)        |
|                                   | <u>1,486</u> |

The summarised profit and loss account and statement of total recognised gains and losses for the period 1 July 2001 to 16 October 2001, shown on the basis of the accounting policies of Downing Harnham Croft Nursing Home Limited prior to the acquisition are as follows:

|   | £'000        |
|---|--------------|
| Turnover                                    | 225          |
| Operating expenses                          | <u>(247)</u> |
| Operating loss                              | (22)         |
| Interest receivable and similar income      | <u>2</u>     |
| Loss on ordinary activities before taxation | (20)         |
| Tax on profit on ordinary activities        | <u>(3)</u>   |
| Loss for the financial period               | <u>(23)</u>  |

There are no recognised gains and losses other than the loss for the financial period.

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 13. DEBTORS

|   | Group          |                | Company       |               |
|---|----------------|----------------|---------------|---------------|
|   | 2001<br>£'000  | 2000<br>£'000  | 2001<br>£'000 | 2000<br>£'000 |
| <b>Amounts falling due within one year:</b> |                |                |               |               |
| Trade debtors                               | 17,257         | 16,354         | -             | -             |
| Payments on account                         | 24,259         | 24,726         | -             | -             |
| Amounts owed by Group undertakings          | 116,288        | 138,860        | 93,808        | 95,191        |
| Corporation tax                             | -              | 1,869          | -             | -             |
| Other debtors                               | 3,432          | 5,396          | -             | -             |
| Prepayments and accrued income              | 8,072          | 14,502         | -             | -             |
| Advance operating rental payments           | 456            | 455            | -             | -             |
|   | <u>169,764</u> | <u>202,162</u> | <u>93,808</u> | <u>95,191</u> |
| <b>Amounts falling due after one year:</b>  |                |                |               |               |
| Advance operating property rental payments  | 3,351          | 3,241          | -             | -             |
| Amounts owed by Group undertakings          | <u>187,500</u> | <u>187,500</u> | -             | -             |
|   | <u>190,851</u> | <u>190,741</u> | -             | -             |

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

The loans of £187,500,000 were issued on 18 February 2000 to BUPA Investments Limited. The loans are repayable in 2030 and bear interest at 6.4% per annum.

### 14. CREDITORS – amounts falling due within one year

|                                    | Group          |                | Company       |               |
|------------------------------------|----------------|----------------|---------------|---------------|
|                                    | 2001<br>£'000  | 2000<br>£'000  | 2001<br>£'000 | 2000<br>£'000 |
| Obligations under finance leases   | 982            | 727            | -             | -             |
| Bank loans and overdrafts          | 3,837          | 10,000         | -             | -             |
| Trade creditors                    | 3,847          | 5,170          | -             | -             |
| Amounts owed to Group undertakings | 130,653        | 158,868        | 22,487        | 21,886        |
| Taxation and social security       | 2,419          | 4,150          | -             | 601           |
| Corporation tax                    | 2              | -              | -             | 316           |
| Other creditors                    | 1,947          | 4,166          | -             | -             |
| Accruals and deferred income       | 29,274         | 24,696         | -             | -             |
| Non-equity dividend payable        | <u>1,435</u>   | <u>1,387</u>   | -             | -             |
|                                    | <u>174,396</u> | <u>209,164</u> | <u>22,487</u> | <u>22,803</u> |

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

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

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2001<br>£'000 | 2000<br>£'000 | 2001<br>£'000 | 2000<br>£'000 |
| Obligations under finance leases                | 4,774         | 3,203         | -             | -             |
| 11.8% debenture stock                           | 50,000        | 50,000        | 50,000        | 50,000        |
| Bank loan                                       | 10,000        | 10,000        | -             | -             |
| Amounts owed to Group undertakings              | 32,744        | 32,744        | -             | -             |
|   | <u>97,518</u> | <u>95,947</u> | <u>50,000</u> | <u>50,000</u> |
| <b>Loans are repayable as follows:</b>          |               |               |               |               |
| In five years or more                           | <u>60,000</u> | <u>60,000</u> | <u>50,000</u> | <u>50,000</u> |
| <b>Finance leases are repayable as follows:</b> |               |               |               |               |
| Between one and two years                       | 841           | 676           | -             | -             |
| Between two and five years                      | 1,937         | 1,262         | -             | -             |
| In five years or more                           | <u>1,996</u>  | <u>1,265</u>  | <u>-</u>      | <u>-</u>      |
|   | <u>4,774</u>  | <u>3,203</u>  | <u>-</u>      | <u>-</u>      |

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

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

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

# CARE FIRST GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

| Group                      | Deferred<br>taxation<br>£'000 | Participating<br>interest<br>£'000 | Pensions<br>£'000 | Total<br>£'000 |
|----------------------------|-------------------------------|------------------------------------|-------------------|----------------|
| At 1 January 2001          | 9,190                         | 5,461                              | 936               | 15,587         |
| Arising on acquisition     | 44                            | -                                  | -                 | 44             |
| Profit and loss account    | (112)                         | 7,062                              | 371               | 7,321          |
| Utilised during the year   | -                             | -                                  | (139)             | (139)          |
| <b>At 31 December 2001</b> | <b>9,122</b>                  | <b>12,523</b>                      | <b>1,168</b>      | <b>22,813</b>  |

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 liabilities as at 31 December 2001.

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

|                                | Provided      |               | Not provided  |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2001<br>£'000 | 2000<br>£'000 | 2001<br>£'000 | 2000<br>£'000 |
| Accelerated capital allowances | 9,524         | 9,875         | (5)           | (7)           |
| Other timing differences       | (402)         | (685)         | (425)         | (74)          |
|                                | <b>9,122</b>  | <b>9,190</b>  | <b>(430)</b>  | <b>(81)</b>   |

### 17. SHARE CAPITAL

|  | 2001<br>£'000 | 2000<br>£'000 |
|--|---------------|---------------|
| <b>Authorised equity interests</b>           |               |               |
| 220,000,000 ordinary shares of 25 pence each | 55,000        | 55,000        |
| 20,000,000 preference shares of £1 each      | 20,000        | 20,000        |
|  | <b>75,000</b> | <b>75,000</b> |
| <b>Allotted, called-up and fully paid</b>    |               |               |
| <b>Equity interests</b>                      |               |               |
| 162,213,958 ordinary shares of 25 pence each | 40,553        | 40,553        |

## CARE FIRST GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

#### 18. RESERVES

| Group               | Share<br>premium<br>account<br>£'000 | Revaluation<br>reserve<br>£'000 | Merger<br>reserve<br>£'000 | Capital<br>Redemption<br>Reserve<br>Fund<br>£'000 | Profit<br>and loss<br>account<br>£'000 |
|---------------------|--------------------------------------|---------------------------------|----------------------------|---|--|
| At 1 January 2001   | 114,141                              | 28,299                          | 36,563                     | 2,110   | 63,626                                 |
| Retained profit     | -                                    | -                               | -                          | -   | 721                                    |
| At 31 December 2001 | <u>114,141</u>                       | <u>28,299</u>                   | <u>36,563</u>              | <u>2,110</u>                                      | <u>64,347</u>                          |

| Company             | Share<br>premium<br>account<br>£'000 | Capital<br>Redemption<br>Reserve<br>Fund<br>£'000 | Profit<br>and loss<br>account<br>£'000 |
|---------------------|--------------------------------------|---|--|
| At 1 January 2001   | 114,141                              | 2,110   | 6,539                                  |
| Retained profit     | -                                    | -   | 656                                    |
| At 31 December 2001 | <u>114,141</u>                       | <u>2,110</u>                                      | <u>7,195</u>                           |

The Company made a profit for the financial year of £656,000 (2000 - £1,061,000).

#### 19. MINORITY INTERESTS

The non-equity minority interests represent the entire cumulative redeemable preference shares in Care First Health Care Limited.

Care First Health Care 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. The holders of the preference shares shall have the right to receive notice of and to attend but not to speak or vote at a General Meeting of Care First Health Care Limited. The preference shares shall be redeemable at par at the option of Care First Health Care limited or the holders of the preference shares on 24 August 2002 and each anniversary thereafter.

#### 20. PENSION

The Group operates defined contribution and defined benefit pension schemes for the benefit of staff. The principal scheme, The BUPA Pension Scheme, is a defined benefit pension scheme which provides benefits based on final pensionable salary. Under this scheme, contributions by employees and the Company are administered by trustees in funds independent of the Company. 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.

## CARE FIRST GROUP PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2001

#### 20 PENSION – (CONTINUED)

The latest valuation of the BUPA Pension scheme was carried out as at 1 July 1999. Details of the latest valuation of the scheme are included in the financial statements of the ultimate holding company.

The pension costs charged in the year are stated in note 3. There was a pension holiday from 1 July 2000 to 30 June 2001. Employer contributions were then paid at the rate of 3% of pensionable salary with effect from 1 July 2001 and will increase to the rate of 5% from July 2002. The accounts include a provision of £1,168,000 (2000 - £936,000) representing the excess of the accumulated cost over the contributions made.

#### 21. COMMITMENTS

| Capital commitments | 2001<br>£'000 | 2000<br>£'000 |
|---------------------|---------------|---------------|
| Contracted          | <u>1,419</u>  | <u>4,290</u>  |

#### Operating leases

At 31 December 2001 the Group had annual commitments under non-cancellable operating leases as set out below:

|                                | Land and buildings |               | Other         |               |
|--------------------------------|--------------------|---------------|---------------|---------------|
|                                | 2001<br>£'000      | 2000<br>£'000 | 2001<br>£'000 | 2000<br>£'000 |
| Operating leases which expire: |                    |               |               |               |
| Within one year                | 49                 | 463           | -             | -             |
| Between two and five years     | -                  | -             | 727           | 97            |
| Over five years                | <u>25,433</u>      | <u>25,660</u> | <u>-</u>      | <u>-</u>      |
|                                | <u>25,482</u>      | <u>26,123</u> | <u>727</u>    | <u>97</u>     |

#### 22. 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 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 £5,804,000 as security over future operating rental payments due to BUPA LeaseCo (Guernsey) Limited.

**CARE FIRST GROUP PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2001**

**23. PRIOR YEAR COMPARATIVES**

Certain balances of the prior year have been reclassified to conform to the current year's presentation.

**24 SUBSEQUENT EVENT**

On 13 May 2002, the Company acquired the entire issued share capital of Ashbourne KW Limited, a company registered in England and Wales.