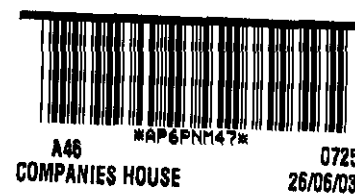


CARE FIRST GROUP PLC

(Registered No. 1969735)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002



CARE FIRST GROUP PLC

REPORT OF THE DIRECTORS for the year ended 31 December 2002

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

1. Principal activity

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

2. Review of the business

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

3. Acquisitions

On 12 May 2002, the Group acquired the entire share capital of Ashbourne KW Limited, a company registered in England and Wales. Ashbourne KW Limited is the owner and operator of 13 care homes in the United Kingdom.

4. Results and dividends

The profit for the year, after taxation, amounted to £6,445,000 (2001 – (restated) £4,998,000).

The directors do not recommend the payment of an ordinary dividend (2001 – £nil).

A preference dividend at the rate of 6.05% (2001 – 5.85%) per annum will be paid on 27 August 2003.

5. 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.

6. Employees and remuneration

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

Every effort is made by the directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Group's performance.

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

7. Policy for paying creditors

The Group's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of their terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2002 were equivalent to 28 (2001 – 23) 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 2002

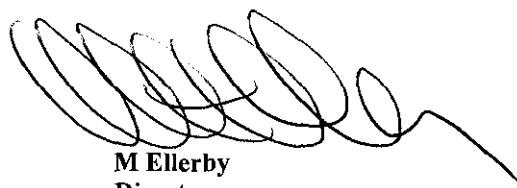
8. Auditors

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

18 June 2003

By Order of the Board



M Ellerby
Director

CARE FIRST GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CARE FIRST GROUP PLC

We have audited the financial statements set out on pages 5 to 25.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Mr.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

18 June 2003

CARE FIRST GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Note	2002 £'000	2001 (restated) £'000
Turnover			
Continuing operations	1	341,948	338,943
Acquisitions	1	<u>15,388</u>	<u>-</u>
		<u>357,336</u>	<u>338,943</u>
 Operating expenses			
Continuing operations		(329,604)	(332,283)
Acquisitions		<u>(11,088)</u>	<u>-</u>
		<u>(340,692)</u>	<u>(332,283)</u>
 Operating profit			
Continuing operations		12,344	6,660
Acquisitions		<u>4,300</u>	<u>-</u>
		<u>16,644</u>	<u>6,660</u>
 Profit on sale of fixed assets		-	346
Provisions for liabilities in participating interests	4	(5,008)	(7,062)
Interest receivable and similar income	5	12,211	11,854
Interest payable and similar charges	6	<u>(8,815)</u>	<u>(7,564)</u>
 Profit on ordinary activities before taxation	7	15,032	4,234
 Tax on profit on ordinary activities	8	<u>(8,587)</u>	<u>764</u>
 Profit for the financial year		6,445	4,998
 Dividends payable on non-equity shares	9	<u>(4,143)</u>	<u>(4,003)</u>
 Retained profit for the financial year		<u>2,302</u>	<u>995</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 25 form part of these financial statements.

CARE FIRST GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 31 December 2002

	Note	Group		Company	
		2002 £'000	2001 (restated) £'000	2002 £'000	2001 £'000
Fixed assets					
Intangible assets	10	3,798	5,969	-	-
Tangible assets	11	328,731	269,585	-	-
Investments	12	-	-	172,225	142,675
		<u>332,529</u>	<u>275,554</u>	<u>172,225</u>	<u>142,675</u>
Current assets					
Stock		54	315	-	-
Debtors		382,384	360,615	96,924	93,808
Debtors due within one year	13	157,613	169,764	96,924	93,808
Debtors due after one year	13	224,771	190,851	-	-
Cash at bank and in hand		9,068	14,256	4	3
		<u>391,506</u>	<u>375,186</u>	<u>96,928</u>	<u>93,811</u>
Creditors: amounts falling due within one year	14	<u>(189,789)</u>	<u>(174,396)</u>	<u>(25,878)</u>	<u>(22,487)</u>
Net current assets		<u>201,717</u>	<u>200,790</u>	<u>71,050</u>	<u>71,324</u>
Total assets less current liabilities		<u>534,246</u>	<u>476,344</u>	<u>243,275</u>	<u>213,999</u>
Creditors: amounts falling due after more than one year	15	(144,842)	(97,518)	(79,611)	(50,000)
Provisions for liabilities and charges	16	<u>(26,653)</u>	<u>(22,457)</u>	<u>-</u>	<u>-</u>
		<u>362,751</u>	<u>356,369</u>	<u>163,664</u>	<u>163,999</u>
Capital and reserves					
Called up share capital	18	40,553	40,553	40,553	40,553
Share premium account	19	114,141	114,141	114,141	114,141
Revaluation reserve	19	32,379	28,299	-	-
Merger reserve	19	36,563	36,563	-	-
Capital redemption reserve	19	2,110	2,110	2,110	2,110
Profit and loss account	19	67,005	64,703	6,860	7,195
Equity shareholders' funds		<u>292,751</u>	<u>286,369</u>	<u>163,664</u>	<u>163,999</u>
Non-equity minority interests	20	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
		<u>362,751</u>	<u>356,369</u>	<u>163,664</u>	<u>163,999</u>

These financial statements were approved by the Board of Directors on 18 June 2003 and were signed on its behalf by:

N R Taylor
Director



The accounting policies and notes on pages 8 to 25 form part of these financial statements.

CARE FIRST GROUP PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	2002	2001 (restated)
	£'000	£'000
Profit for the financial year	6,445	4,998
Unrealised surplus on revaluation of properties	<u>4,080</u>	<u>-</u>
Total recognised gains and losses relating to the year	10,525	<u>4,998</u>
Prior year adjustment (as explained in note 17)	<u>356</u>	
Total gains and losses recognised since last annual report and accounts	<u>10,881</u>	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 December 2002

	Group		Company	
	2002	2001 (restated)	2002	2001
	£'000	£'000	£'000	£'000
Profit for the financial year	6,445	4,998	(335)	656
Dividends on non-equity shares	<u>(4,143)</u>	<u>(4,003)</u>	<u>-</u>	<u>-</u>
	2,302	995	(335)	656
Other recognised gains and losses relating to the year (net)	<u>4,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net addition/(reduction) to shareholders' funds	6,382	995	(335)	656
Opening shareholders' funds (originally £356,013,000 before adding a prior year adjustment of £356,000)	<u>356,369</u>	<u>355,374</u>	<u>163,999</u>	<u>163,343</u>
Closing shareholders' funds	<u>362,751</u>	<u>356,369</u>	<u>163,664</u>	<u>163,999</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2002**

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

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

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (BUPA), a company registered in England and Wales, which publishes consolidated accounts, the Group has pursuant to paragraph 17 of Financial Reporting Standard No 8: Related Party Disclosures (FRS 8) not included details of transactions with other companies which are subsidiary undertakings of the BUPA Group. There are no other related party transactions.

New financial reporting standards

(i) Adoption of FRS 17

The Group has complied with the transitional provisions of Financial Reporting Standard No 17: 'Retirement benefits' (FRS 17) this year.

In November 2002 the transitional arrangement of FRS 17 were extended and, as a result, the full implementation of FRS 17, due to take place in 2003, has been delayed by the Accounting Standards Board.

(ii) Adoption of FRS 19

Under Financial Reporting Standard No 19: 'Deferred Tax' (FRS 19), deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Previously the Group provided for deferred tax using the liability method to the extent that it was probable that liabilities would crystallise in the foreseeable future. Under FRS 19 full provision is required, whether or not an actual liability will crystallise. Deferred tax unprovided for as at 31 December 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. The comparative figures have been restated accordingly. As permitted by FRS 19, the Group has adopted a policy of not discounting deferred tax assets and liabilities.

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

Under Financial Reporting Standard No 1: 'Cash flow statements (revised 1996)' (FRS 1) the Group is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of BUPA, a company that prepares a consolidated cash flow statement for the BUPA Group.

(c) Basis of consolidation

The Group financial statements consolidate the accounts of the parent company and its subsidiaries up to 31 December 2002. The results of subsidiaries acquired or disposed of in the year have been included in the financial statements up to or from the date control passes.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

1. STATEMENT OF ACCOUNTING POLICIES -CONTINUED

(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.

(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 Group in independently administered funds.

Contributions to the defined benefit scheme are charged to the profit and loss account over the expected average remaining service lives of the participating employees. Any difference between the cumulative charge to the profit and loss account and the contribution paid to the scheme is shown 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.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

1. STATEMENT OF ACCOUNTING POLICIES - CONTINUED

(i) Taxation including deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred tax.

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of property to its fixed value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

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

(j) Leases

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

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

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is BUPA Finance plc, a company registered in England and Wales.

The ultimate parent undertaking of the Company is BUPA, a company registered in England and Wales. The group preparing consolidated group accounts, which include the Group is BUPA. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

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

	Number of employees	
	2002	2001
Health care	17,225	16,150
Other	398	393
	<u>17,623</u>	<u>16,543</u>

The aggregate payroll costs of these persons were as follows:

	2002 £'000	2001 £'000
Wages and salaries	188,608	165,788
Social security costs	10,898	14,635
Other pension costs	1,823	1,638
	<u>201,329</u>	<u>182,061</u>

(b) Directors' remuneration

	2002 £'000	2001 £'000
Aggregate emoluments	422	330
Pension contributions	55	36
	<u>477</u>	<u>366</u>
Highest paid director		
Emoluments	<u>265</u>	<u>204</u>

Retirement benefits accruing to two directors (2001 - 1) under a defined benefits scheme amounted to £34,000 (2001 - £16,000).

4. PROVISIONS FOR LIABILITIES IN PARTICIPATING INTERESTS

	2002 £'000	2001 £'000
Shares of liabilities in The Care Homes Partnership	<u>5,008</u>	<u>7,062</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£'000	£'000
Loan interest	12,000	11,585
Other interest	211	269
	<u>12,211</u>	<u>11,854</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£'000	£'000
Bank loans and overdrafts	1,668	1,264
Finance leases	440	400
Debenture stock	5,900	5,900
Loan from Group undertaking	807	-
	<u>8,815</u>	<u>7,564</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£'000	£'000
Profit on ordinary activities is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Owned	15,998	12,876
Leased	1,399	1,640
Impairment in value of care homes	209	-
Amortisation of goodwill	2,130	2,245
Auditors' remuneration:		
Audit	204	236
Other services	11	6
Operating lease rentals:		
Land and buildings	25,753	26,214
Equipment	1,310	1,660
	<u></u>	<u></u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge/(credit) in the year

	2002 £'000	2001 £'000 (restated)
Current tax		
UK corporation tax on profits of the year	7,348	-
Adjustments in respect of prior periods	<u>2,247</u>	<u>(380)</u>
Total current tax	9,595	(380)
Deferred tax		
Origination and reversal of timing differences	(973)	(903)
Adjustments in respect of prior periods	<u>(35)</u>	<u>519</u>
Tax on profit on ordinary activities	<u>8,587</u>	<u>(764)</u>

(ii) Factors affecting the tax charge/(credit)

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>15,032</u>	<u>4,234</u>
Tax charge on profit on ordinary activities at 30%	4,510	1,270
Effects of:		
Expenses not deductible for tax purposes	1,996	1,334
Capital allowances for the period in excess of depreciation	678	(407)
Deferred tax on short term and other timing differences	260	1,116
Adjustments to tax charge in respect of prior periods	2,247	(86)
Group relief not paid for	<u>(96)</u>	<u>(3,607)</u>
Total current tax charge/(credit) for the year	<u>9,595</u>	<u>(380)</u>

(iii) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £16.7million. At present it is not envisaged that any tax will become payable in the foreseeable future.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

9. DIVIDENDS

	2002 £'000	2001 £'000
Non-equity dividends:		
Dividends at 6.05% on cumulative redeemable preference shares of £1 each (2001 – 5.85%)	<u>4,143</u>	<u>4,003</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2002	10,928
Additions (note 12)	<u>(41)</u>
At 31 December 2002	<u>10,887</u>
Amortisation	
At 1 January 2002	4,959
Charge for year	<u>2,130</u>
At 31 December 2002	<u>7,089</u>
Net Book Value	
At 31 December 2002	<u>3,798</u>
At 31 December 2001	<u>5,969</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

11. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Total £'000
Group			
Cost or valuation			
At 1 January 2002	218,862	117,568	336,430
Additions	6,139	8,288	14,427
Acquisition of subsidiary	56,876	3,089	59,965
Revaluation	452	-	452
Disposals	(1,471)	(391)	(1,862)
At 31 December 2002	<u>280,858</u>	<u>128,554</u>	<u>409,412</u>
Depreciation			
At 1 January 2002	12,879	53,966	66,845
Charge for the year	3,886	13,720	17,606
Revaluation	(3,419)	-	(3,419)
Disposal	(246)	(105)	(351)
At 31 December 2002	<u>13,100</u>	<u>67,581</u>	<u>80,681</u>
Net Book Value			
At 31 December 2002	<u>267,758</u>	<u>60,973</u>	<u>328,731</u>
At 31 December 2001	<u>205,983</u>	<u>63,602</u>	<u>269,585</u>
Leased assets included above:			
Net Book Value			
At 31 December 2002	<u>31,457</u>	<u>6,597</u>	<u>38,054</u>
At 31 December 2001	<u>29,164</u>	<u>4,709</u>	<u>33,873</u>

Certain of the Group's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 31 October 2000 and 31 December 2002 on the basis of existing use. The valuation has been made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. These valuations were incorporated into the balance sheet at 31 December 2002. Other tangible assets are stated at cost.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

11. TANGIBLE FIXED ASSETS - CONTINUED

Particulars relating to revalued assets are given below:

	2002 Land & buildings £'000	2001 Land & buildings £'000
At open market value	262,261	191,091
At cost	18,597	27,771
Impairment	(1,420)	(1,265)
Aggregate depreciation thereon	<u>(11,680)</u>	<u>(11,614)</u>
	<u>267,758</u>	<u>205,983</u>
Historical cost of revalued assets	234,759	194,388
Aggregate depreciation based on historical cost	<u>(21,895)</u>	<u>(17,420)</u>
Historical cost net book value	<u>212,864</u>	<u>176,968</u>

12. INVESTMENTS

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2002	95,265	52,000	147,265
Additions	<u>29,550</u>	<u>-</u>	<u>29,550</u>
At 31 December 2002	124,815	52,000	176,815
Provision			
At 1 January 2002 and 31 December 2002	<u>(4,590)</u>	<u>-</u>	<u>(4,590)</u>
Net book value at 31 December 2002	<u>120,225</u>	<u>52,000</u>	<u>172,225</u>
Net book value at 31 December 2001	<u>90,675</u>	<u>52,000</u>	<u>142,675</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

12. INVESTMENTS - CONTINUED

At 31 December 2002, 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:

Name	Ordinary shares Number	Nominal value £	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
Ashbourne KW Limited	1	1	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.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

12. INVESTMENTS - CONTINUED

On 12 May 2002, the Company acquired the entire issued share capital of Ashbourne KW Limited. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Revaluation £'000	Fair value to Group £'000
Fixed assets			
Tangible	33,321	26,644	59,965
Current assets			
Stocks	8	-	8
Debtors	1,416	-	1,416
Cash	887	-	887
Total assets	<u>35,632</u>	<u>26,644</u>	<u>62,276</u>
Creditors			
Trade creditors	140	-	140
Other creditors	31,578	-	31,578
Accruals	967	-	967
	<u>32,685</u>	<u>-</u>	<u>32,685</u>
Net assets	<u>2,947</u>	<u>26,644</u>	29,591
Goodwill			(41)
			<u>29,550</u>
Satisfied by			
Cash			<u>29,550</u>

The adjustment to tangible fixed assets was required to bring the book costs of fixed assets to their fair value.

The total cost of the acquisition to BUPA was £60,105,000 (including acquisition costs of £566,000) comprising:

	£'000
Cash consideration paid by the Company	29,550
Loan from BUPA Finance plc to Ashbourne KW Limited	<u>30,555</u>
Total cost of acquisition to BUPA	<u>60,105</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

12. INVESTMENTS - CONTINUED

Ashbourne KW Limited earned a profit after tax of £3,904,000 in the period from 11 December 2000 to 31 March 2002. The summarised profit and loss account from 1 April 2002 to 12 May 2002, shown on the basis of the accounting policies of Ashbourne KW Limited prior to the acquisition, are as follows:

	1 April 2002 to 12 May 2002 £'000
Turnover	
Continuing operations	2,558
Discontinued operations	<u>124</u>
	<u>2,682</u>
 Operating expenses	
Continuing operations	(1,907)
Discontinued operations	<u>(112)</u>
	<u>2,019</u>
 Operating profit	
Continuing operations	651
Discontinued operations	<u>12</u>
	663
 Interest payable and similar charges	<u>(406)</u>
 Profit on ordinary activities before taxation	257
 Tax on profit on ordinary activities	<u>(9)</u>
 Profit for the financial period	<u>248</u>

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

Ashbourne KW Limited paid a dividend of £2,430,000 on 12 May 2002.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

13. DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	20,764	17,257	-	-
Payments on account	23,823	24,259	-	-
Amounts owed by Group undertakings	101,003	116,288	96,924	93,808
Other debtors	3,055	3,432	-	-
Prepayments and accrued income	8,512	8,072	-	-
Advance operating rental payments	456	456	-	-
	<u>157,613</u>	<u>169,764</u>	<u>96,924</u>	<u>93,808</u>
Amounts falling due after one year:				
Advance operating property rental payments	2,844	3,351	-	-
Amounts owed by Group undertakings	<u>221,927</u>	<u>187,500</u>	<u>-</u>	<u>-</u>
	<u>224,771</u>	<u>190,851</u>	<u>-</u>	<u>-</u>

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

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

14. CREDITORS – amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Obligations under finance leases	1,110	982	-	-
Bank loans and overdrafts	-	3,837	-	-
Trade creditors	3,731	3,847	-	-
Amounts owed to Group undertakings	141,501	130,653	25,878	22,487
Taxation and social security	209	2,419	-	-
Corporation tax	-	2	-	-
Other creditors	4,450	1,947	-	-
Accruals and deferred income	37,326	29,274	-	-
Non-equity dividend payable	1,462	1,435	-	-
	<u>189,789</u>	<u>174,396</u>	<u>25,878</u>	<u>22,487</u>

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

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

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Obligations under finance leases	5,995	4,774	-	-
11.8% debenture stock	50,000	50,000	50,000	50,000
Bank loan	10,000	10,000	-	-
Amounts owed to Group undertakings	78,847	32,744	29,611	-
	<u>144,842</u>	<u>97,518</u>	<u>79,611</u>	<u>50,000</u>
Loans are repayable as follows:				
Between two and five years	10,000	10,000	-	-
In five years or more	50,000	50,000	50,000	50,000
	<u>60,000</u>	<u>60,000</u>	<u>50,000</u>	<u>50,000</u>
Finance leases are repayable as follows:				
Between one and two years	1,035	841	-	-
Between two and five years	1,575	1,937	-	-
In five years or more	3,385	1,996	-	-
	<u>5,995</u>	<u>4,774</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 FINANCIAL STATEMENTS for the year ended 31 December 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred taxation £'000	Participating interest £'000	Pensions £'000	Total £'000
At 1 January 2002	9,122	12,523	1,168	22,813
Prior year adjustment	<u>(356)</u>	<u>-</u>	<u>-</u>	<u>(356)</u>
At 1 January 2002 restated	8,766	12,523	1,168	22,457
Utilised during the year	-	-	(157)	(157)
Arising on acquisition	12	-	-	12
Provided in the year	175	5,008	341	5,524
Released in the year	<u>(1,183)</u>	<u>-</u>	<u>-</u>	<u>(1,183)</u>
At 31 December 2002	<u>7,770</u>	<u>17,531</u>	<u>1,352</u>	<u>26,653</u>

The Group has a participating interest in a joint venture with The Care Homes Partnership. The provision represents the Group's share of the partnership liabilities as at 31 December 2002.

17. DEFERRED TAXATION

Deferred tax liabilities are analysed as follows:

	2002 £'000	2001 £'000 (restated)
Accelerated capital allowances	8,738	9,499
Pension provision	(405)	(347)
Other timing differences	<u>(563)</u>	<u>(386)</u>
	<u>7,770</u>	<u>8,766</u>

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

	2002 £'000
At 1 January 2002	9,122
Prior year adjustment	<u>(356)</u>
At 1 January 2002 restated	8,766
Arising on acquisition	12
Deferred tax credit for the year	<u>(1,008)</u>
At 31 December 2002	<u>7,770</u>

Deferred tax unprovided for as at 31 December 2001, and which is now required to be provided for under FRS 19, has been provided for and shown as a prior year adjustment. The impact on the profit and loss account for the year to 31 December 2002 is £ nil (2001 - increase profit after taxation by £274,000) as a result of the decrease in the deferred tax charge. Shareholders' funds at 31 December 2001 have been increased by £356,000.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

18. SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised equity interests		
220,000,000 ordinary shares of 25 pence each	55,000	55,000
20,000,000 preference shares of £1 each	20,000	20,000
	<u>75,000</u>	<u>75,000</u>
 Allotted, called-up and fully paid		
 Equity interests		
162,213,958 ordinary shares of 25 pence each	<u>40,553</u>	<u>40,553</u>

19. RESERVES

Group

	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Capital Redemption Reserve Fund £'000	Profit and loss account (restated) £'000
At 1 January 2002	114,141	28,299	36,563	2,110	64,347
Prior year adjustment (note 17)	-	-	-	-	356
At 1 January 2002, restated	114,141	28,299	36,563	2,110	64,703
Revaluation in the year	-	4,080	-	-	-
Retained profit for the year	-	-	-	-	2,302
At 31 December 2002	<u>114,141</u>	<u>32,379</u>	<u>36,563</u>	<u>2,110</u>	<u>67,005</u>

Company

	Share premium account £'000	Capital Redemption Reserve Fund £'000	Profit and loss account £'000
At 1 January 2002	114,141	2,110	7,195
Retained loss	-	-	(335)
At 31 December 2002	<u>114,141</u>	<u>2,110</u>	<u>6,860</u>

The Company made a loss for the financial year of £335,000 (2001 – profit £656,000).

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

20. 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 to the repayment of a sum equal to the nominal paid up capital. The holders of the preference shares shall have the right to receive notice of and attend, but not to speak or vote at a General Meeting of 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 2003 and thereafter on each anniversary of this date.

21. PENSION

SSAP 24

The BUPA 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, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. This scheme was closed to new entrants from 1 October 2002. Under this scheme, contributions by employees and the BUPA Group are administered by trustees in funds independent of the Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pension increases. On the basis of detailed valuations undertaken every three years and periodic interim reviews, an independent actuary recommends the rate of contribution using the projected unit method.

The latest valuation of The BUPA Pension Scheme was carried out as at 1 July 2002. Details of the latest valuation of the scheme and main assumptions are included in the annual report and accounts of the ultimate holding company together with transitional disclosures required under FRS 17.

Employer contributions were paid at the rate of 3% of pensionable salary from 1 July 2001 until 30 June 2002 and at a rate of 5% from 1 July 2002. The pension costs charged for the year are shown in note 3. The accounts include a provision (see note 16) of £1,352,000 (2001: £1,168,000) which represents the excess of the accumulated cost over the contributions made.

FRS 17

The BUPA Pension Scheme was valued as at 31 December 2002 under the requirements of FRS 17. This valuation showed a deficit before deferred tax of £141.5 million with assets of £239.7 million and liabilities of £381.2 million. It is not possible to identify the Group's share of this deficit on a consistent and reliable basis, therefore as permitted by FRS 17 the pension costs relating to this scheme will be accounted for by the Group as if the scheme was a defined contribution scheme.

The full disclosure requirements under FRS 17 are disclosed in the Annual Report and Accounts of the British United Provident Association Limited.

CARE FIRST GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

22. COMMITMENTS

Capital commitments	2002 £'000	2001 £'000
Contracted	-	1,419
Operating leases		

At 31 December 2002 the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Operating leases which expire:				
Within one year	198	49	-	-
Between two and five years	-	-	586	727
Over five years	25,655	25,433	-	-
	<u>25,853</u>	<u>25,482</u>	<u>586</u>	<u>727</u>

23. CONTINGENT LIABILITIES

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

The Group has disposed of leasehold interests in a number of close care properties in which it continues to hold a reversionary interest. In so doing, it granted the right to certain purchasers to require the Group to repurchase properties at any time in the future at a price equal to 90% of the purchase price paid of the properties concerned. These are not considered to be financing transactions, and no asset or liability is included on the balance sheet. The outstanding repurchase commitments granted by the Group in this respect amounted to £730,000 (2001 - £822,000).

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

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