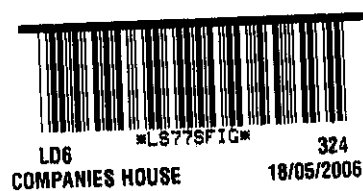


BUPA CARE HOMES (BNH) LIMITED

(Registered No. 2079932)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



BUPA CARE HOMES (BNH) LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2005

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

1. Principal activity

The principal activities of the Company are owning and operating of nursing and residential homes for the elderly.

2. Review of the business

The Directors consider the performance of the Company during the year to be satisfactory.

3. Results and dividends

The profit for the year, after taxation, amounted to £ 3,807,000 (2004 –restated profit £5,857,000).

No dividend is proposed for 2005 (2004 - £ nil).

4. Conversion to International Financial Reporting Standards

The ultimate parent undertaking, The British United Provident Association Limited (BUPA), has prepared Group accounts in accordance with International Financial Reporting Standards (IFRS). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards.

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	
P C Ludford	
R J Maclean	
N R Taylor	
O H D Thomas	
A D Walford	(resigned 1 September 2005)
M I Dugdale	(resigned 15 September 2005)
A M How	
N T Beazley	(appointed 1 September 2005)
B D J Kent	(appointed 1 September 2005)

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

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

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

BUPA CARE HOMES (BNH) LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2005

7. 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 Company's performance.

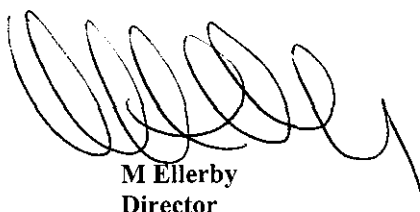
The Company continues to pursue its stated policy of giving every consideration to the employment of disabled persons. Employees who are registered disabled persons are, to the greatest possible extent, treated on the same basis as all other employees and given every opportunity to develop their full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

8. Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office
Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

By Order of the Board



M Ellerby
Director

9 March 2006

BUPA CARE HOMES (BNH) LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

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

BUPA CARE HOMES (BNH) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA CARE HOMES (BNH) LIMITED

We have audited the financial statements of BUPA Care Homes (BNH) Limited for the year ended 31 December 2005 which comprise of the Profit and Loss Account, the Balance Sheet the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

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

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

9 March 2006

BUPA CARE HOMES (BNH) LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2005

	Note	2005 £'000	2004 (restated) £'000
Turnover	1	66,384	62,287
Operating expenses		<u>(56,957)</u>	<u>(54,023)</u>
Operating profit		9,427	8,264
Provision for liabilities in participating interest	4	(1,958)	(561)
Interest receivable and similar income	5	3,552	3,930
Interest payable and similar charges	6	<u>(4,605)</u>	<u>(2,934)</u>
Profit on ordinary activities before taxation	7	6,416	8,699
Taxation on profit on ordinary activities	8	<u>(2,609)</u>	<u>(2,842)</u>
Profit for the financial year		<u>3,807</u>	<u>5,857</u>

The operating profit is all derived from continuing operations.

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

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

BUPA CARE HOMES (BNH) LIMITED

BALANCE SHEET as at 31 December 2005

	Note	2005 £'000	2004 (restated) £'000
Fixed assets			
Tangible assets	9	9,551	9,012
Investments	10	9,469	9,469
		<u>19,020</u>	<u>18,481</u>
Current assets			
Debtors		112,394	109,633
Debtors due within one year	11	77,899	76,046
Debtors due after more than one year	11	34,495	33,587
Cash at bank and in hand		1,835	1,873
		<u>114,229</u>	<u>111,506</u>
Creditors: amounts falling due within one year	12	<u>(92,636)</u>	<u>(95,686)</u>
Net current assets		<u>21,593</u>	<u>15,820</u>
Total assets less current liabilities		40,613	34,301
Creditors: amounts falling due after more than one year	13	(1,568)	(1,394)
Provision for liabilities and charges	14	<u>(6,419)</u>	<u>(4,377)</u>
		<u>32,626</u>	<u>28,530</u>
Capital and reserves			
Called up share capital	16	-	-
Share premium account	17	4,614	4,614
Capital reserve	17	593	593
Revaluation reserve	17	289	-
Profit and loss account	17	27,130	23,323
Shareholders' funds		<u>32,626</u>	<u>28,530</u>
Shareholders' funds may be analysed as:			
Equity interests	16	32,626	28,530
Non-equity interests	16	-	-
		<u>32,626</u>	<u>28,530</u>

These financial statements were approved by the Board of Directors on 9 March 2006 and were signed on its behalf by:


N R Taylor
Director

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

BUPA CARE HOMES (BNH) LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2005**

	2005	2004 (restated)
	£'000	£'000
Profit for the financial year	3,807	5,857
Unrealised gain on revaluation of properties	<u>289</u>	<u>-</u>
Total recognised gains for the year	4,096	<u>5,857</u>
Prior year adjustment (as explained note 17)	<u>1,103</u>	
Total recognised gains and losses since last annual report	<u>5,199</u>	

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

	2005	2004 (restated)
	£'000	£'000
Profit for the financial year	3,807	5,857
Other recognised gains and losses relating to the year (net)	<u>289</u>	<u>-</u>
Net addition to shareholders' funds	4,096	5,857
Opening shareholders' funds (originally £27,427,000 before adding prior year adjustment of £1,103,000)	<u>28,530</u>	<u>22,673</u>
Closing shareholders' funds	<u>32,626</u>	<u>28,530</u>

BUPA CARE HOMES (BNH) LIMITED

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

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. All accounting policies have been applied consistently with the exception of Financial Reporting Standard No 17: Retirement benefits (FRS 17) which has been implemented during the year.

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

The Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies.

New financial reporting standards

Adoption of FRS 17

Financial Reporting Standard No. 17: "Retirement Benefits" (FRS 17) has been implemented during the year. The Company participates in The BUPA Pension Scheme, a group defined benefit pension scheme. As no agreement exists to allocate pension scheme assets and liabilities between group companies, FRS 17 permits those group companies to charge their pension contributions to the profit and loss account. Therefore, the cost of pension contributions made to the scheme have been recognised within the profit and loss account.

The Company previously accounted for its pension costs under Statement of Standard Accounting practice No 24: Pension costs (SSAP 24). Any provisions held on the balance sheet under SSAP 24 have been reversed. The comparative information has been restated accordingly. The impact of the introduction of FRS 17 is set out in note 14.

Accounting conventions

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

(b) Cash flow

Under Financial Reporting Standard No. 1: Cash Flow Statements (revised 1996) (FRS 1) the Company 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) Turnover

Turnover represents the total amount earned by the Company 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.

BUPA CARE HOMES (BNH) LIMITED

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) 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 & equipment	- 3 to 50 years

(e) Tax and deferred tax

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 market 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.

(f) Leases

Leasing arrangements, which transfer to the Company 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.

(g) Pensions and other post-retirement benefits

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

As a participating Company of The BUPA Pension Scheme, a group defined benefit pension scheme, the related pension contributions paid by the Company are accounted for as if the Company participates in a defined contribution pension scheme. Therefore, the cost of the pension contributions made to the scheme are recognised within the profit and loss account

BUPA CARE HOMES (BNH) LIMITED

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

(g) Pensions and other post-retirement benefits(continued)

Defined contribution scheme

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

Defined benefit scheme

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

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of the Company is BUPA Care Homes Group Limited, 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 Company is BUPA. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

The average number of full-time equivalent employees employed by the Company during the year (including directors), analysed by category, was as follows:

	Number of employees	
	2005	2004
Health care	<u>2,063</u>	<u>2,052</u>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£'000	(restated) £'000
Wages and salaries	29,854	27,892
Social security costs	2,368	2,128
Other pension costs (note 18)	<u>849</u>	<u>792</u>
	<u>33,071</u>	<u>30,812</u>

(b) Directors' remuneration

The emoluments of the Directors are borne entirely by other Group companies and are disclosed in the financial statements of those companies.

4. PROVISION FOR LIABILITIES IN PARTICIPATING INTEREST

	2005	2004
	£'000	£'000
Share of liabilities in The Care Homes Partnership	<u>1,958</u>	<u>561</u>

BUPA CARE HOMES (BNH) LIMITED

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

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Bank	65	57
Loan to Group undertakings	<u>3,487</u>	<u>3,873</u>
	<u>3,552</u>	<u>3,930</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Loan from Group undertakings	4,435	2,777
Finance leases from Group undertakings	<u>170</u>	<u>157</u>
	<u>4,605</u>	<u>2,934</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,172	1,321
Leased	336	327
Reversal of past impairment losses	(260)	-
Operating lease rentals		
Land and buildings	9,305	7,502
Plant and equipment	<u>82</u>	<u>94</u>

Auditors' remuneration and amounts paid to KPMG Audit Plc and their associates for non audit services are borne by a fellow Group undertaking.

BUPA CARE HOMES (BNH) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 2005**8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES****(i) Analysis of tax charge in the year**

	2005	2004
		(restated)
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	2,245	2,630
Adjustments in respect of prior periods	12	(7)
Total current tax	2,257	2,623
Deferred tax		
Origination and reversal of timing differences	(18)	183
Adjustments in respect of prior periods	370	36
Tax on profit on ordinary activities	2,609	2,842

(ii) Factors affecting the tax charge

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

	2005	2004
		(restated)
	£'000	£'000
Profit on ordinary activities before tax	6,416	8,699
Tax charge on profit on ordinary activities at 30%	1,925	2,610
Effects of:		
Expenses not deductible for tax purposes	302	343
Accelerated capital allowances	(69)	(329)
Deferred tax on short term and other timing differences	87	6
Adjustments to tax charge in respect of prior periods	12	(7)
Total current tax charge for the year	2,257	2,623

(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 at 31 December 2005 is an asset £224,000 (2004 – £287,000). At present it is not envisaged that any tax will become payable in the foreseeable future.

BUPA CARE HOMES (BNH) LIMITED

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

9. TANGIBLE FIXED ASSETS

	Land & buildings £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost or valuation			
At 1 January 2005	3,184	18,069	21,253
Additions	24	1,474	1,498
Revaluation	482	-	482
	<u>3,690</u>	<u>19,543</u>	<u>23,233</u>
At 31 December 2005			
Depreciation			
At 1 January 2005	108	12,133	12,241
Charge for the year	49	1,459	1,508
Reversal of past impairment losses	(260)	-	(260)
Adjustments on revaluation	193	-	193
	<u>90</u>	<u>13,592</u>	<u>13,682</u>
At 31 December 2005			
Net Book Value			
At 31 December 2005	<u>3,600</u>	<u>5,951</u>	<u>9,551</u>
At 31 December 2004	<u>3,076</u>	<u>5,936</u>	<u>9,012</u>
Leased assets included above:			
Net Book Value			
At 31 December 2005	<u>701</u>	<u>1,660</u>	<u>2,361</u>
At 31 December 2004	<u>693</u>	<u>1,513</u>	<u>2,206</u>

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 31 December 2005 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 2005. Other tangible assets are stated at cost. The reversal of the past impairment losses arises as a result of improved financial performance of some homes.

Analysis of cost or valuation of land and buildings

	2005 £'000	2004 £'000
At open market value	3,690	3,174
At cost	-	10
Aggregate depreciation thereon	<u>(90)</u>	<u>(108)</u>
	<u>3,600</u>	<u>3,076</u>
Historical cost of revalued assets	3,708	3,684
Aggregate depreciation based on historical costs	<u>(410)</u>	<u>(336)</u>
Historical cost net book value	<u>3,298</u>	<u>3,348</u>

BUPA CARE HOMES (BNH) LIMITED

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

10. INVESTMENTS

	Interests in subsidiary undertakings £'000
Cost	
At 1 January 2005 and at 31 December 2005	<u>10,734</u>
Provision	
At 1 January 2005 and at 31 December 2005	<u>(1,265)</u>
Net book value	
At 31 December 2004 and at 31 December 2005	<u>9,469</u>

The principal subsidiary undertakings of the Company are listed below, all of which are wholly owned and registered in England and Wales.

	Class of share
BUPA Care Homes (BNHP) Limited	Ordinary
BUPA Nursing Homes (1997) Limited	Ordinary
CHG Homes Limited	Ordinary

11. DEBTORS

	2005 £'000	2004 (restated) £'000
Amounts falling due within one year:		
Payments on account	22,575	23,003
Amounts owed by Group undertakings	52,998	50,717
Prepayments and accrued income	<u>2,326</u>	<u>2,326</u>
	<u>77,899</u>	<u>76,046</u>
Amounts falling due after more than one year:		
Amount owed by Group undertaking	34,495	33,319
Deferred tax	<u>-</u>	<u>268</u>
	<u>34,495</u>	<u>33,587</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 amount owed by Group undertaking falling due after more than one year is a loan issued on 18 February 2000 to BUPA Investments Limited. The loan is repayable in 2030 and bears interest at 6.4% per annum.

Included within prior year inter-company debtors was a £466,000 provision relating to the company's share of the BUPA Pension Scheme SSAP 24 provision. As a result of the full adoption of FRS 17 for the year ended 31 December 2005 the accounting for pension costs in respect of defined benefit pension schemes has changed. This has resulted in a prior year adjustment to reflect the reversal of the pension provision made under SSAP 24. Shareholders' funds at 31 December 2004 have been increased by £466,000.

BUPA CARE HOMES (BNH) LIMITED

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

12. CREDITORS – amounts falling due within one year

	2005	2004
	£'000	£'000
Obligations under finance leases	273	244
Amounts owed to Group undertakings	91,961	94,992
Other creditors	402	450
	<u>92,636</u>	<u>95,686</u>

Obligations under finance leases are payable to a fellow Group undertaking.

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

	2005	2004
	£'000	£'000
Obligations under finance leases	<u>1,568</u>	<u>1,394</u>
Finance leases are repayable as follows:		
	2005	2004
	£'000	£'000
Between one and two years	250	234
Between two and five years	682	594
After five years	<u>636</u>	<u>566</u>
	<u>1,568</u>	<u>1,394</u>

Obligations under finance leases are payable to a fellow Group undertaking.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Participating interest £'000	Pensions and similar obligations (restated) £'000	Deferred tax (restated) £'000	Total £'000
At 1 January 2005 (as previously reported)	4,377	910	-	5,287
Prior year adjustment	-	(910)	-	(910)
At 1 January 2005 restated	4,377	-	-	4,377
Transferred from debtors	-	-	(268)	(268)
Provided in the year	<u>1,958</u>	<u>-</u>	<u>352</u>	<u>2,310</u>
At 31 December 2005	<u>6,335</u>	<u>-</u>	<u>84</u>	<u>6,419</u>

The Company has a participating interest in a joint venture with The Care Homes Partnership. This provision represents the Company's share of the partnership's liabilities as at 31 December 2005.

As a result of the full adoption of FRS 17 for the year ended 31 December 2005 the accounting for pension costs in respect of defined benefit pension schemes has changed. This has resulted in a prior year adjustment to reflect the reversal of the pension provision made under SSAP 24. The impact on the profit and loss account for the year ended 31 December 2005 is £nil (2004 - increase in profit before taxation of £120,000) as a result of the reversal of the charge to the SSAP 24 provision. Shareholders' funds at 31 December 2004 have been increased by £910,000 (before deferred tax (see note 15)).

BUPA CARE HOMES (BNH) LIMITED

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

15. DEFERRED TAX

Deferred tax assets are analysed as follows:

	2005	2004
	£'000	(restated)
		£'000
Accelerated capital allowances	<u>84</u>	<u>(268)</u>

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

	2005
	£'000
At 1 January 2005 (as previously reported)	(541)
Prior year adjustment	<u>273</u>
At 1 January 2005 (restated)	(268)
Deferred tax charge for the year	<u>352</u>
At 31 December 2005	<u>84</u>

The net deferred tax asset is included within debtors.

Deferred tax on the SSAP 24 pension provision provided for as at 31 December 2004, and which is now required to be treated differently under FRS 17, has been shown as a prior year adjustment.

The impact on the profit and loss account for the year ended 31 December 2005 is £nil (2004 – increase profits after taxation by £104,000) as a result of the decrease in the deferred tax charge. Shareholders' funds at 31 December 2004 have been reduced by £273,000.

16. SHARE CAPITAL

	2005	2004
	£	£
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
157 preferred shares of US \$1 each	<u>100</u>	<u>100</u>
	<u>50,100</u>	<u>50,100</u>
	2005	2004
	£	£
Allotted, called-up and fully paid		
157 ordinary shares of £1 each	157	157
157 preferred shares of US \$1 each	<u>100</u>	<u>100</u>
	<u>257</u>	<u>257</u>

The preferred ordinary shares rank pari passu in all respects, except on the repayment of capital, with the ordinary shares. On repayment of capital the ordinary shareholders receive all remaining net assets after repayment of the preference shares at par.

BUPA CARE HOMES (BNH) LIMITED

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

17. RESERVES

	Share premium £'000	Capital reserves £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2005 (as previously reported)	4,614	593	-	22,220
Prior year adjustment (notes 11, 14 & 15)	-	-	-	1,103
	4,614	593	-	23,323
Revaluation surplus	-	-	289	-
Profit for the financial year	-	-	-	3,807
At 31 December 2005	4,614	593	289	27,130

18. PENSIONS

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

This scheme was closed to new entrants from 1 October 2002. Under this scheme, contributions by employees and the BUPA Group are administered by trustees in funds independent of the Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pension increases. Detailed triennial valuations and periodic interim reviews are undertaken by an independent actuary. The last detailed triennial valuation of The BUPA Pension Scheme was carried out as at 1 July 2005. The attained age method was used in the 2005 triennial valuation. On the basis of this valuation the independent actuary recommends the rate of contributions.

The BUPA Pension Scheme was valued as at 31 December 2005 under the requirements of FRS 17. This valuation showed a deficit before deferred tax of £138.5 million (2004: £172.3 million) with assets of £522.2 million (2004: £374.7 million) and liabilities of £660.7 million (2004: £547.0 million). It is not possible to identify the Company's share of this deficit on a consistent and reliable basis, therefore, as permitted by FRS 17, the pension contributions paid by the Company relating to this scheme are charged to the profit and loss account.

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

Employer contributions have been paid to The BUPA Pension Scheme at the rate of 17.44% of pensionable salary from 1 January 2005 until 31 March 2005 and at the rate of 25.64% from 1 April 2005 until 31 December 2005. On 1 April 2005, the Group introduced a salary sacrifice arrangement, PeopleChoice Pensions, whereby the employer's contribution rate increased. There is a corresponding reduction in wages and salaries as a result of the contractual changes.

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

The total pension cost included in the profit and loss account amounted to £849,000 (2004 - £792,000 (restated)).

BUPA CARE HOMES (BNH) LIMITED

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

19. COMMITMENTS

Operating leases

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

	Land and buildings	
	2005	2004
	£'000	£'000
Operating leases which expire:		
Over five years	<u>9,305</u>	<u>9,305</u>

Capital commitments

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

20. CONTINGENT LIABILITIES

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

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

A charge is held over £1,665,000 as security over future operating rental payments due to BUPA LeaseCo (Guernsey) Limited.