Bupa Care Homes (BNH) Limited

(Registered number 2079932)

Annual report and financial statements

for the year ended

31 December 2015

Bupa Care Homes (BNH) Limited
Financial statements
Year ended 31 December 2015

Contents

Directors' report

The directors present their annual report and the financial statements of Bupa Care Homes (BNH) Limited ("the Company") for the year ended 31 December 2015.

1. Future development
The future development of the Company is described in the strategic report.

2. Directors
The directors who served during the year and subsequently were as follows:

A J Cannon	resigned	23 July 2015
A M Peeler	resigned	28 February 2015
D E Hynam	appointed	23 July 2015
K Moore	resigned	29 February 2016
J S Picken		

3. 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 as adopted by the European Union (IFRS). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable Financial Reporting Standard 101 *Reduced Disclosure Framework* which was adopted in the period.

4. 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.

5. Political and charitable contributions
The Company made no political or charitable donations or incurred any political expenditure during the year (2014: £nil).

6. Employees
Details of the number of persons employed and gross remuneration are contained in note 6 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.

Employment of disabled persons
The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Employment policy
The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

Directors' report (continued)

7. Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that:

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

8. Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Registered Office:

Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

D E Hynam
Director

13 May 2016

Bupa Care Homes (BNH) Limited
Financial statements
Year ended 31 December 2015

Strategic report

Principal activities
The principal activity of the Company for the year was that of owning and operating nursing and residential homes for the elderly. The Company, together with fellow UK subsidiary undertakings of Bupa, with similar activities, form Bupa Care Homes.

Key performance indicators
Operating profit improved despite the directors' decision to impair care home assets. The impairment was driven by the challenging economic climate both presently and particularly in the future resulting from the introduction of the National Living Wage from April 2016. In addition, there are ongoing funding pressures experienced by local authorities.

The key drivers of the business are

	2015	2014	Analysis
Operating profit (£'000)	3,201	1,145	The Company has made an improved profit despite the impairment of assets primarily through better fee rate.
Occupancy percentage (%)	89.7	89.3	Occupancy has remained consistent in the challenging economic conditions.
Available beds	1,721	1,725	The strategy is to provide an enhanced environment for our residents. The reduction in available beds results from the consolidation of the care home beds portfolio.

Definitions and method of calculation
Operating profit is profit before interests and tax.

Occupancy percentage is defined as the average occupied beds divided by the average available beds for the year.

Available beds are the average number of beds available for occupation during the year.

Business model
Bupa Care Homes is a leading care homes operator in the UK providing nursing, dementia and residential care to more than 17,000 residents in approximately 280 homes of which 74% are funded wholly or partly by the public sector through local authorities (LAs) and NHS Clinical Commissioning Groups (CCGs).

Bupa Care Homes is focused on meeting the changing healthcare needs and concerns of its customers and society by developing innovative products and services and campaigning to make healthcare more affordable and accessible to deliver better value for money. By investing in its people and care homes, Bupa Care Homes will continue to address the health and care needs of the UK's growing ageing population whilst campaigning strongly for appropriate investment from national and local government in the health and social care system to meet the cost of delivering care.

During 2015, the Government signalled the introduction of the National Living Wage from April 2016. This will present a significant operating cost burden to all providers of social care in the UK. Bupa Care Homes supports the introduction of the National Living Wage provided it is adequately funded such that the social care sector is sustainable; and has been engaging the Government during 2015 ahead of the Spending Review. The impact of the Spending Review remains unclear, particularly in terms of the implementation of the Council Tax precept for 2016/17. The Company is actively renegotiating fees to ensure that they cover the true costs of care but note that in creating the Council Tax precept the Government has recognised the strategic contribution the sector makes and the challenges it faces.

Strategic report (continued)

Future outlook

Bupa Care Homes aims to build an extraordinary culture and to make a positive impact in the local communities. Over 16,000 people in Bupa Care Homes contributed and shared their views in our annual employee survey. It showed the employee engagement to have improved by two percentage points compared to the previous year. Employees have access to Bupa Fit, as part of the commitment to helping them feel healthier for working at Bupa Care Homes. Bupa Fit offers early intervention services to speed up access to diagnosis and treatment and physiotherapy for muscle, bone and joint conditions. It also provides fast, direct self-referral for mental health conditions. During 2016, Bupa Care Homes will continue to focus on playing a leadership role in the sector in engaging national and local government to pay for the true cost of care for some of the most vulnerable in our society. The implementation of the National Living Wage will clearly be a key priority.

Bupa Care Homes will continue to

- invest in its portfolio of care homes;
- invest in the development of new products, services and online tools;
- engage more people in their health and wellbeing and funding projects to reduce its carbon footprint;
- provide anytime Healthline for round-the-clock medical advice from a nurse or GP.

Business review and results

Results

The profit for the year, after taxation, amounted to £2,487,000 (2014: £693,000). The Company had net assets of £64,937,000 (2014: £62,524,000).

Dividends

The directors do not recommend the payment of a dividend for the year (2014: £nil).

Principal risks and uncertainties

The Company and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of challenges to occupancy and fee levels of publicly funded residents as a result of public sector spending constraints and pressure on private funded placements due to current economic conditions.

In addition it is anticipated that there will be increasing legislation and regulation and increases in staff costs driven by employment legislation.

Further information relating to the Company, as applicable to the Bupa Group as a whole, is provided within the discussion of business risks and uncertainties section of the Bupa Group's annual report and accounts, which does not form part of this report.

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

13 May 2016

D E Hynam
Director

Statement of directors' responsibilities in respect of the directors' report, the strategic report and financial statements

The directors are responsible for preparing the directors' report, the strategic report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's 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 2015 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
19 May 2016

Profit and loss account

	Note	**2015 £'000**	2014 £'000
Turnover	2	76,927	74,525
Cost of sales	3	(69,492)	(65,761)
Gross profit		7,435	8,764
Administrative expenses	4	(1,924)	(3,351)
Other operating expenses	5	(2,310)	(4,268)
Other interest receivable and similar income	7	160	47
Interest payable and similar charges	8	-	(37)
		3,361	1,155
Tax on profit on ordinary activities	10	(874)	(462)
Profit for the financial year		2,487	693

The accounting policies and notes on pages 11 to 27 form part of these financial statements.

Statement of other comprehensive income

	2015 £'000	2014 £'000
Profit for the year	2,487	693
Items that will not be reclassified to profit or loss:		
Unrealised deficit on impairment of properties	-	(17)
Movement on deferred tax relating to deficit on impairment of properties	(74)	34
Other comprehensive income for the year, net of tax	(74)	17
Total comprehensive income for the year	2,413	710

The accounting policies and notes on pages 11 to 27 form part of these financial statements.

Bupa Care Homes (BNH) Limited
Financial statements

Balance sheet
as at 31 December 2015

	Note	**2015** **£'000**	2014 £'000
Fixed assets			
Tangible assets	11	56,156	56,013
Current assets			
Debtors			
- due within one year	12	2,818	2,818
- due after one year	12	10,094	6,354
		12,912	9,172
Cash at bank and in hand		1,669	1,672
		14,581	10,844
Creditors: amounts falling due within one year	13	(4,923)	(3,018)
Net current assets		9,658	7,826
Total assets less current liabilities		65,814	63,839
Provisions for liabilities	14	(877)	(1,315)
		64,937	62,524
Capital and reserves			
Called up share capital	15	45,000	45,000
Revaluation reserve		3,733	2,582
Profit and loss account		16,204	14,942
		64,937	62,524

These financial statements were approved by the board of directors and were signed on its behalf by:

J S Picken
Director
13 May 2016
Registered number: 2079932

The accounting policies and notes on pages 11 to 27 form part of these financial statements.

Bupa Care Homes (BNH) Limited
Financial statements
Year ended 31 December 2015
Statement of changes in equity

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2015		45,000	2,582	14,942	62,524
Profit for the year		-	-	2,487	2,487
Other comprehensive income for the year:					
Realised losses		-	1,225	(1,225)	-
Movement on deferred tax relating to revaluation reserve	14	-	(74)	-	(74)
Total transactions with owners, recognised directly in equity		-	1,151	(1,225)	(74)
Balance as at 31 December 2015		45,000	3,733	16,204	64,937
At 1 January 2014 (as previously reported)		20,000	4,522	13,320	37,842
Effect of changes in accounting policies	19	-	(732)	(296)	(1,028)
Balance at 1 January 2014 restated		20,000	3,790	13,024	36,814
Profit for the year		-	-	693	693
Other comprehensive income for the year:					
Unrealised losses		-	(17)	-	(17)
Realised gains		-	(1,225)	1,225	-
Movement on deferred tax relating to revaluation reserve	14	-	34	-	34
Total comprehensive income for the year		-	(1,208)	1,225	17
Proceeds from shares issued		25,000	-	-	25,000
Total transactions with owners, recognised directly in equity		25,000	(1,208)	1,918	25,710
Balance as at 31 December 2014		45,000	2,582	14,942	62,524

The accounting policies and notes on pages 11 to 27 form part of these financial statements.

Accounting policies

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the Company has adopted early FRS 101 and for the first time. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported profit and loss account and balance sheet of the Company is provided in note 19.

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

1.2 Exemptions from the requirements of IFRS

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial Instruments: Disclosures (IFRS 7)
- Paragraphs 91 to 99 of IFRS 13 Fair value measurement (IFRS 13) relating to disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
- Paragraph 38 of IAS 1 Presentation of financial statements (IAS 1) comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment (IAS 16);
  (iii) paragraph 118(e) of IAS 38 Intangible assets (IAS 38) regarding reconciliations between the carrying amount at the beginning and end of the period
- The following paragraphs of IAS 1:
  10(d) statement of cash flows
  10(f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
  16 statement of compliance with all IFRS
  38A requirement for minimum of two primary statements, including cash flow statements
  38B-D additional comparative information
  40A-D requirements for a third statement of financial position
  111 cash flow statement information
  134-136 capital management disclosures
- IAS 7 Statement of cash flows (IAS 7)
- Paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (IAS 8) regarding requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
- Paragraph 17 of IAS 24 Related party disclosures (IAS 24) regarding key management compensation

Accounting policies (continued)

1.3 New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2015 and have a material impact on the Company:

- Amendment to IAS 1 regarding other comprehensive income. The main change resulting from these amendments is a requirement for the Company to classify items presented in 'other comprehensive income' (OCI) on the basis of whether they can potentially be reclassified to profit or loss subsequently (reclassification adjustments).
- IAS 19, Employee benefits was revised in June 2011. The changes in the Company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
- IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard also introduces new disclosure requirements, though FRS 101 allows for exemptions from the disclosure requirements that are above.

1.4 Going concern

The Company meets its day to day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises turnover when the amount of turnover can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company primarily provides care homes services to residents and recognises turnover when the service has been delivered to the residents.

1.6 Interest income

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

1.7 Employee benefits

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the profit and loss account as incurred.

1.8 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Accounting policies (continued)

1.9 Taxation and deferred taxation

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

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

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

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

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

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

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

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

1.10 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Accounting policies (continued)

1.11 Tangible fixed assets
Land and buildings comprise mainly care homes and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and at every three years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' funds. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve; all other decreases are charged to the profit and loss account of the period they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account in the period they arise.

When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

1.12 Impairment of non financial assets
Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Accounting policies (continued)

1.13 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current investments.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit and loss account within interest income or expenses in the period in which they arise.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

1.14 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Accounting policies (continued)

1.16 Share capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating losses.

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

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

Accounting policies (continued)

2. Critical accounting estimates and judgments

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

(a) Property valuations

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

(b) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Notes to the financial statements

1. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Bupa Care Homes Group Limited, a company incorporated in England and Wales.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited (Bupa), a company incorporated in England and Wales. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc, a company incorporated in England and Wales.

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

2. Turnover

Turnover comprises

	2015	2014
	£'000	£'000
Care homes operations	76,927	74,525

3. Cost of sales

Cost of sales comprises

	2015	2014
	£'000	£'000
Staff	40,611	39,206
Property	15,015	14,583
Catering and housekeeping	3,684	3,830
Depreciation	3,927	3,485
Agency	3,128	3,850
Impairment losses	2,317	288
Other cost of sales	810	519
	69,492	65,761

4. Administrative expenses

Administrative expenses comprises

	2015	2014
	£'000	£'000
General administrative	1,924	3,351

5. Other operating expenses

	2015	2014
	£'000	£'000
Staff	2,083	3,814
Loss on disposal of fixed assets	-	254
Other	227	200
Other operating expenses	2,310	4,268

Notes to the financial statements (continued)

6. Staff costs and directors' remuneration

(i) Staff costs

The average monthly number of persons employed by the Company during the year, analysed by category, was:

	2015	2014
Health care	2,096	2,038

The aggregate payroll costs of those persons were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	39,865	40,276
Social security costs	2,658	2,547
Other pension costs	171	197
	42,694	43,020

(ii) Directors' remuneration

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

7. Other interest receivable and similar income

	2015	2014
	£'000	£'000
Bupa undertakings	160	47

8. Interest payable and similar charges

	2015	2014
	£'000	£'000
Bupa Group undertakings	-	37

9. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015	2014
	£'000	£'000
Depreciation of tangible fixed assets:		
- Owned	3,847	3,387
- Leased	80	98
Impairment of tangible fixed assets:		
- Owned	2,317	288
Loss on disposal of fixed assets	-	254
Operating lease rentals:		
- land and buildings	11,275	10,792
- plant and machinery	135	134
Fees payable to the Company's auditor for the audit of the Company's annual accounts	20	16

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

Notes to the financial statements (continued)

10. Tax on profit on ordinary activities

(i) Tax included in profit or loss

	2015 £'000	2014 £'000
UK corporation tax on profit for the year	1,384	595
Adjustments in respect of prior periods	2	(8)
Total current tax	1,386	587
Deferred tax		
Origination and reversal of timing differences	(422)	(144)
Change in tax rates	(51)	-
Adjustments in respect of prior periods	(39)	19
Total deferred tax	(512)	(125)
Total tax on profit on ordinary activities	874	462

(ii) Current and deferred taxation recognised directly in other comprehensive income

	2015 £'000	2014 £'000
Deferred taxation (charge)/credit in respect of:		
Unrealised profit/(loss) on revaluation of property	74	(34)
Total tax included in other comprehensive income	74	(34)

(iii) Reconciliation of effective tax rate

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	3,361	1,155
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.5%)	681	248
Effects of:		
Non-deductible expenses	228	192
Current income taxation adjustments in respect of prior periods	2	(8)
Deferred taxation adjustments in respect of prior periods	(39)	19
Change in taxation rates	2	11
Tax on profit on ordinary activities	874	462

Notes to the financial statements (continued)

11. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2015	35,932	35,559	71,491
Additions	184	6,203	6,387
Disposal	(294)	(5,947)	(6,241)
At 31 December 2015	35,822	35,815	71,637
Depreciation			
At 1 January 2015	1,183	14,295	15,478
Charge for the year	486	3,441	3,927
Disposal	(294)	(5,947)	(6,241)
Impairment losses	2,317	-	2,317
At 31 December 2015	3,692	11,789	15,481
Net Book Value			
At 31 December 2015	32,130	24,026	56,156
At 31 December 2014	34,749	21,264	56,013
Leased assets included above:			
Net Book Value			
At 31 December 2015	4,240	-	4,240
At 31 December 2014	4,320	-	4,320

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 January 2014	35,845	36,425	72,270
Additions	110	5,175	5,285
Disposal	(23)	(6,041)	(6,064)
At 31 December 2014	35,932	35,559	71,491
Depreciation			
At 1 January 2014	382	17,165	17,547
Charge for the year	496	2,989	3,485
Disposal	-	(5,859)	(5,859)
Impairment losses	305	-	305
At 31 December 2014	1,183	14,295	15,478
Net Book Value			
At 31 December 2014	34,749	21,264	56,013
At 31 December 2013	35,463	19,260	54,723

Notes to the financial statements (continued)

11. Tangible fixed assets (continued)

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 31 December 2013 on the basis of existing use. The valuation was 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 2013. The directors have performed an impairment review of freehold land and buildings as at 31 December 2015. This review has resulted in an impairment of £2,317,000 (2014: £305,000) against the value of certain freehold land and buildings. In the opinion of the directors this loss in value is of a permanent nature. Other tangible assets are stated at cost.

Analysis of cost or valuation of land and buildings

	2015	2014
	£'000	£'000
At open market value	35,822	35,845
At cost	294	110
Disposal	-	(23)
Aggregate depreciation thereon	(1,364)	(878)
Impairment losses	(2,622)	(305)
	32,130	34,749

If land and buildings had not been revalued they would have been included at the following amounts:

	2015	2014
	£'000	£'000
Historical cost of revalued assets	38,678	38,494
Depreciation based on historical cost	(6,645)	(5,871)
Historical cost net book value	32,033	32,623

12. Debtors

Due within one year	**2015**	2014
	£'000	£'000
Prepayments and accrued income	2,818	2,818

Prepayments and accrued income includes payments to Bupa Group undertakings for future services.

Due after one year	**2015**	2014
	£'000	£'000
Loans from Bupa Group undertakings	10,094	6,354

Due after one year
Loans from Bupa Group undertakings are repayable after five years as follows

	Date Issued	Repayment date	Interest rate	**2015 £'000**	2014 £'000
Bupa Care Homes (CFG) plc	11 May 2014	14 May 2024	110 basis points over six months LIBOR	10,094	6,354

Notes to the financial statements (continued)

13. Creditors – amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to Bupa Group undertakings	4,923	3,018

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

14. Provisions for liabilities and charges

The Company had the following provisions during the year:

	2015 £'000	2014 £'000
Deferred tax	877	1,315

Deferred tax
Deferred taxation is analysed as follows

	2015 Assets £'000	**2015 Liabilities £'000**	**2015 Total £'000**	2014 Assets £'000	2014 Liabilities £'000	2014 Total £'000
Accelerated capital allowances	-	335	335	-	431	431
Revaluation of properties to fair value	-	646	646	-	1,000	1,000
Taxation value of losses carried forward	(104)	-	(104)	(116)	-	(116)
	(104)	981	877	(116)	1,431	1,315

The movement in deferred taxation is as follows

	At 1 January 2015 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2015 £'000
Accelerated capital allowances	431	(96)	-	335
Revaluation of properties to fair value	1,000	(428)	74	646
Taxation value of losses carried forward	(116)	12	-	(104)
	1,315	(512)	74	877

	At 1 January 2014 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2014 £'000
Accelerated capital allowances	446	(15)	-	431
Revaluation of properties to fair value	1,144	(110)	(34)	1,000
Taxation value of losses carried forward	(116)	-	-	(116)
	1,474	(125)	(34)	1,315

Notes to the financial statements (continued)

15. Called up share capital

	2015	2014
	£'000	£'000
45,000,259 (2014: 45,000,259) ordinary shares of £1 each	45,000	45,000

16. Post employment benefit

The Bupa Group operates defined benefit and defined contribution pension schemes for the benefit of employees. The Bupa Pension Scheme is the principal defined benefit pension scheme which provides benefits based on final pensionable salary, with charges made to the profit and loss account of Bupa 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.

The Bupa Pension 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.

An independent actuary performs triennial valuations together with periodic interim reviews. Both triennial and interim valuations use the attained age method, recognising the closure of the scheme to new entrants. The most recent triennial valuation as at 1 July 2014 has not been finalised as at year-end.

The Bupa Pension Scheme was valued as at 31 December 2015 under the requirements of International Accounting Standard Number 19: Employee Benefits (IAS 19) as the Group prepares its consolidated financial statements under International Financial Reporting Standards. This valuation showed a surplus before deferred tax of £408.4 million (2014: £348.6million) with assets of £1,670.6million (2014: £1,637.5 million) and liabilities of £1,262.2 million (2014: £1,288.9 million), which would not be materially different from a valuation performed under the requirements of FRS 101. It is not possible to identify the Company's share of this surplus on a consistent and reliable basis, therefore, as permitted by IAS 19, the pension contributions paid by the Company relating to this scheme are charged to the profit and loss account of the Company. 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.

The full disclosure requirements under IAS 19 are disclosed in the Annual Report and Accounts of Bupa.

Notes to the financial statements (continued)

17. Contingent liabilities, guarantees and other financial commitments

(i) Contingent liabilities

Under a group registration the Company is jointly and severally liable for Value Added Tax due by certain other Bupa Group companies.

(ii) Guarantees

The Company has given a guarantee and other undertakings, as part of the Group banking arrangements, in respect of the overdraft of certain other Bupa Group undertakings.

The obligations of the Company under the operating 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 cash of £1,665,000 as security over future operating rental payments to Bupa LeaseCo (Guernsey) Limited.

(iii) Financial commitments

	2015	2014
	£'000	£'000
Land and buildings		
Expiry date		
- Not later than one year	11,273	11,273
- Later than one year and not later than five years	33,819	33,819
- Later than five years	169,094	180,367
	214,186	225,459

(iv) Capital commitments

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

18. Related party transactions

	2015	2014
	£'000	£'000
Expenses paid by Bupa Group undertakings and recharged to the Company	(3,402)	(6,356)
Operating lease rental charged by Bupa Group undertakings	(11,793)	(10,791)
Interest payable to other Bupa Group undertakings	-	(37)
Interest receivable from Bupa Group undertakings	160	47
Amounts owed to Bupa Group undertakings due within one year	(4,923)	(3,018)
Loans due from Bupa Group undertakings due after more than one year	10,094	6,354

See note 6 for disclosure of the directors' remuneration

Notes to the financial statements (continued)

19. Explanation of transition to FRS 101

As stated in Accounting policy 1.1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies above have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition). In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity
As at 31 December 2014

		UK GAAP £'000	Effects of transition to FRS101 £'000	FRS101 £'000
Tangible assets		56,013	-	56,013
Debtors		9,172	-	9,172
Cash at bank and in hand		1,672	-	1,672
Creditors: amounts falling due within one year		(3,018)	-	(3,018)
Provisions for liabilities	(a)	(431)	(884)	(1,315)
Net assets		63,408	(884)	62,524
Called up share capital		45,000	-	45,000
Revaluation reserve	(a)	3,280	(698)	2,582
Profit and loss account	(a)	15,128	(186)	14,942
		63,408	(884)	62,524

Reconciliation of profit and loss account
Year ended 31 December 2014

		UK GAAP £'000	Effects of transition to FRS101 £'000	FRS101 £'000
Turnover		74,525	-	74,525
Cost of sales		(65,761)	-	(65,761)
Gross profit		8,764	-	8,764
Administrative expenses		(3,351)	-	(3,351)
Other operating expenses		(4,268)	-	(4,268)
Other interest receivable and similar income		47	-	47
Interest payable and similar charges		(37)	-	(37)
Tax on loss on ordinary activities	(a)	(572)	110	(462)
Profit for the financial year		583	110	693

Notes to the financial statements (continued)

19. Explanation of transition to FRS 101 (continued)

Reconciliation of statement of other comprehensive income
Year ended 31 December 2014

		UK GAAP £'000	Effects of transition to FRS101 £'000	FRS101 £'000
Profit for the year	(a)	583	110	693
Unrealised deficit on impairment of properties		(17)	-	(17)
Movement on deferred tax relating to deficit on impairment of properties	(a)	-	34	34
Total comprehensive income for the year		566	144	710

(a) Deferred tax on revalued assets
Under the old basis of accounting (UK GAAP), no deferred tax was recognised on revaluation and impairment of fixed assets. Deferred tax is now recognised on these changes in value.

Reconciliation of equity at 1 January 2014
The reconciliation of equity at 1 January 2014 relates to the deferred tax adjustment to revaluation of properties.