

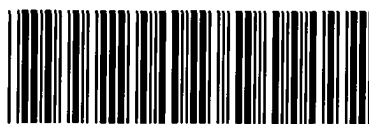
BUPA CARE HOMES (BNH) LIMITED

Registered Number: 02079932

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

31 DECEMBER 2017

FRIDAY



A786CZVD

A27

15/06/2018

#180

COMPANIES HOUSE

Contents

Page

Strategic Report	1
Directors' Report	3
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the Members of Bupa Care Homes (BNH) Limited	6
Profit and Loss Account and Other Comprehensive Income	8
Balance sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Strategic Report

The Directors present their Strategic Report for Bupa Care Homes (BNH) Limited ("the Company") for the year ended 31 December 2017.

Principal Activities

The principal activity of the Company for the year was that of owning and operating nursing and residential care homes primarily for the elderly. The Company, together with fellow UK subsidiary undertakings of The British United Provident Association Limited ("Bupa"), with similar activities, form Bupa Care Services ("BCS").

During the year the Company sold the equipment and operations of nine care homes to fellow Bupa group undertakings and two homes external to the Bupa group.

Results

The profit for the year, after taxation, amounted to £14,984,000 (2016: loss £43,043,000). The Company had net assets of £46,373,000 (2016: £26,847,000).

Key Performance Indicators

The key drivers of the Company's results are:

	2017	2016	Analysis
Profit / (loss) before tax (£'000)	19,706	(51,467)	The primary driver of the return to profit was the reversal of impairment losses of £7,704,000 (2016: impairment of £62,536,000). Underlying results show an improvement despite the sale of 11 homes in the year.
Occupancy percentage (%)	88.9	90.4	Occupancy has remained high despite the challenging economic conditions.
Available beds	1,382	1,720	The reduction is due to the sale of homes.

Definitions and Method of Calculation

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

The Company provides nursing and residential care in 32 homes to around 1,100 residents of which 46% are funded wholly or partly by the public sector through Local Authorities ("LAs"), NHS Clinical Commissioning Groups ("CCGs") and other public sector commissioners.

The Company operates as part of the wider BCS business, which is a leading care homes operator in the UK. BCS provides care in 146 care homes to around 7,300 residents of which 65% are funded wholly or partly by the public sector.

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

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

Strategic Report (continued)

Business Model (continued)

The combination of a national shortage of appropriately qualified nurses, and increased agency dependency across the sector, has seen the cost of nursing care increase. In response, in 2016, there was an increase in the NHS Funded Nursing Care ("FNC") payments contribution in England to the cost of providing registered nursing care.

Future Outlook

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

Since the 2015 Spending Review which announced new powers for councils to meet their funding obligations for social care, the Government have taken further, albeit limited, steps to increase funds for adult social care. The 2017 Budget announced new funding for councils to meet their funding obligations for social care, including an extension and increase to the annual Council Tax precept to 3% as well as increased allocations into the Better Care Fund and Adult Social Care Support Grant.

Following the 2017 general election, the outlook for longer term reform of the social care funding system in England remains unclear. The Government have committed to publishing proposals for long term reform of the social care funding system for consultation in summer 2018. During 2018, BCS, along with others in the sector, will continue to push for adequate funding in the sector, both in the short term and over the longer term, and for local authorities and other public sector commissioners to pay for the true cost of care.

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

Principal Risks and Uncertainties

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

The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, there remains significant uncertainty as to how the UK's exit will affect the Company's business, customers and employees. While the UK Government has committed to ensuring EU citizens currently resident in the UK will be able to remain following the UK's exit from the EU, uncertainties remain relating to changes in immigration rules post-Brexit and the impact on the health and social care sector's ability to recruit sufficient staff. Uncertainty also remains regarding the wider impact on the UK economy.

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

Registered Office:

1 Angel Court
London
EC2R 7HJ

31 May 2018

By Order of the Board



C A Richardson
Director

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2017.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards

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

Directors

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

C E Barton	resigned	27/04/2018
N S Barker	appointed	27/04/2018
J M Elliott		
M Harrison	appointed	27/04/2018
J S Picken	resigned	27/04/2018
C A Richardson	appointed	27/04/2018

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.

Employees

Details of the number of persons employed and gross remuneration are contained in note 8 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.

Directors' Report (continued)

Employees (continued)

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.

Disclosure of Information to Auditor

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

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

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

Auditor

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:

1 Angel Court
London
EC2R 7HJ

31 May 2018

By Order of the Board



C A Richardson
Director

Statement of Directors' Responsibilities

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.

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

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

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

Independent Auditor's Report to the Members of Bupa Care Homes (BNH) Limited

Opinion

We have audited the financial statements of Bupa Care Homes (BNH) Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditor's report to the members of Bupa Care Homes (BNH) Limited (continued)

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



Chris Butt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
6 June 2018

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
Turnover	4	69,082	89,573
Cost of sales	5	(43,238)	(133,620)
Gross profit/(loss)		25,844	(44,047)
Administrative expenses	6	(2,096)	(3,001)
Profit on disposal of fixed assets		893	822
Other operating expenses	7	(2,762)	(3,974)
Other interest receivable and similar income	9	-	2
Interest payable and similar charges	10	(2,173)	(1,269)
Profit/(loss) before taxation		19,706	(51,467)
Tax on (loss)/profit on ordinary activities	12	(4,722)	8,424
Profit/(loss) for the financial year		14,984	(43,043)

Items that will not be reclassified to profit or loss:

Movement on deferred tax relating to revaluation of properties	18	(700)	(1,280)
Unrealised deficit on impairment of properties		5,242	6,233
Other comprehensive income for the year, net of tax		4,542	4,953
Total comprehensive income/(expenses) for the year		19,526	(38,090)

The notes on pages 11 to 25 form part of these financial statements.

Balance sheet
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets (including £nil (2016: £6,487,000) held for sale)	14	166,728	162,738
Intangible assets	21	-	26
		166,728	162,764
Current assets			
Debtors	15	5,400	9,913
- due within one year		-	1,017
- due after one year		5,400	8,896
Cash at bank and in hand		-	4
		5,400	9,917
Creditors: amounts falling due within one year	16	(695)	(827)
Net current assets		4,705	9,090
Total assets less current liabilities		171,433	171,854
Creditors: amounts falling due after more than one year	17	(125,060)	(145,007)
Net assets		46,373	26,847
Capital and reserves			
Called up share capital	19	45,000	45,000
Revaluation reserve		9,271	7,037
Profit and loss account		(7,898)	(25,190)
Shareholders' funds		46,373	26,847

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


J M Elliott
Director

Registered number: 2079932

31 May 2018

The notes on pages 11 to 25 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2017

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017		45,000	7,037	(25,190)	26,847
Profit for the year		-	-	14,984	14,984
Other comprehensive income for the year:					
Realised gains		-	(1,028)	1,028	-
Unrealised gains		-	5,242	-	5,242
Movement on deferred tax relating to revaluation reserve	18	-	(1,980)	1,280	(700)
Total comprehensive income for the year		-	2,234	2,308	4,542
Balance as at 31 December 2017		45,000	9,271	(7,898)	46,373

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2016		45,000	3,733	16,204	64,937
Loss for the year		-	-	(43,043)	(43,043)
Other comprehensive income for the year:					
Realised gains		-	(2,929)	2,929	-
Unrealised gains		-	6,233	-	6,233
Movement on deferred tax relating to revaluation reserve	18	-	-	(1,280)	(1,280)
Total comprehensive income for the year		-	3,304	1,649	4,953
Balance as at 31 December 2016		45,000	7,037	(25,190)	26,847

The notes on pages 11 to 25 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

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

(a) Basis of Preparation

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

These financial statements have been prepared in accordance with FRS 101. The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied.

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

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

(b) Exemptions from the Requirements of IFRS

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

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

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

As the consolidated financial statements of Bupa include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

(c) Exemption from Consolidation

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

Notes to the financial statements (continued)

Accounting Policies (continued)

(d) 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.

(e) 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.

(f) Interest Income

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

(g) Employee Benefits

Defined benefit pension schemes

The ultimate parent company, Bupa, operates a group defined benefit pension scheme, The Bupa Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of Bupa in independently administered funds.

The Company participates in The Bupa Pension Scheme. As no agreement exists to allocate pension scheme assets and liabilities between Bupa Group companies, IAS 19: Employee Benefits permits those Bupa Group companies to account for their pension costs 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.

Defined contribution pension schemes

Bupa also operates a defined contribution pension scheme, The Bupa Retirement Savings Plan, in which the Company participates. The assets of the scheme are held separately from those of the Company in independently administered funds. This scheme was opened with effect from 1 October 2002 and is available to join on a voluntary basis to permanent employees of Bupa.

Contributions to defined contribution pension schemes are recognised as an expense in the Profit and Loss account as incurred.

The National Employment Savings Trust (NEST) has been used to meet the Company's automatic enrolment duties for UK employees.

Notes to the financial statements (continued)

Accounting Policies (continued)

(h) 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.

(i) 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.

(j) 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

Notes to the financial statements (continued)

Accounting Policies (continued)

(j) Intangible Assets (continued)

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.

(k) 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.

Notes to the financial statements (continued)

Accounting Policies (continued)

(l) 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.

(m) 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.

(i) 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.

(ii) 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.

Notes to the financial statements (continued)

Accounting Policies (continued)

(n) 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.

(o) Share Capital

Ordinary shares are classified as equity.

(p) 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.

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 (continued)

3. Immediate and Ultimate Parent Company

The immediate parent undertaking of the Company is Bupa Care Homes (ANS) Limited, with its registered office at 1 Angel Court, London, EC2R 7HJ.

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

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

4. Turnover

Turnover comprises

	2017 £'000	2016 £'000
Care homes operations	69,082	89,573

5. Cost of Sales

Cost of sales comprises

	2017 £'000	2016 £'000
Staff	35,659	45,251
Property	3,615	11,026
Catering and housekeeping	3,626	4,570
Depreciation	4,472	4,971
Agency	3,337	2,958
Impairment losses	41	62,536
Reversal of impairment losses	(7,704)	-
Other cost of sales	192	2,308
	43,238	133,620

6. Administrative Expenses

Administrative expenses comprises

	2017 £'000	2016 £'000
Printing & Stationery	453	572
Other	1,643	2,429
	2,096	3,001

Notes to the financial statements (continued)

7. Other Operating Expenses

	2017 £'000	2016 £'000
Staff	2,501	3,705
Other	261	269
Other operating expenses	2,762	3,974

8. 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:

	2017	2016
Health care	1,626	2,157

The aggregate payroll costs of those persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	35,587	45,626
Social security costs	2,447	3,153
Other pension costs	126	177
	38,160	48,956

(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. Directors may also serve as Directors of other Bupa Group companies and part of their emoluments may be attributed to and disclosed in the financial statements of those companies. The total attributable value of Directors emoluments assigned to the Company for the year was £107,000 (2016: £118,000)

9. Other Interest Receivable and Similar Income

	2017 £'000	2016 £'000
Bupa Group undertakings	-	2

10. Interest Payable and Similar Charges

	2017 £'000	2016 £'000
Bupa Group undertakings	2,173	1,269

Notes to the financial statements (continued)

11. Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:		
- Owned	4,402	4,598
- Leased	70	372
Impairment of tangible fixed assets:		
- Owned	41	63,057
Reversal of impairment of tangible fixed assets:		
- Owned	(7,704)	-
Profit on disposal of fixed assets	(893)	(822)
Operating lease rentals:		
- land and buildings	215	6,429
- plant and machinery	123	144
Fees payable to the Company's auditor for the audit of the Company's annual accounts	18	25

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

12. Tax on Profit/(Loss) on Ordinary Activities

(i) Tax included in profit or loss

	2017 £'000	2016 £'000
UK corporation tax on profit/(loss) for the year	2,385	2,905
Adjustments in respect of prior periods	(459)	(275)
Total current tax charge	1,926	2,630
Deferred tax		
Origination and reversal of timing differences	2,142	(11,213)
Change in tax rates	-	(61)
Adjustments in respect of prior periods	654	220
Total deferred tax charge/(credit)	2,796	(11,054)
Total tax charge/(credit) on profit/(loss) on ordinary activities	4,722	(8,424)

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

	2017 £'000	2016 £'000
Deferred taxation charge in respect of:		
Unrealised profit on revaluation of property	700	1,280
Total tax charge included in other comprehensive income	700	1,280

Notes to the financial statements (continued)

12. Tax on Profit/(Loss) on Ordinary Activities (continued)

(iii) Reconciliation of effective tax rate

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before taxation	19,706	(51,467)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	3,793	(10,293)
Effects of:		
Expenses not deductible for tax purposes	3,089	194
Non-assessable income	(1,561)	(188)
Release of deferred tax following property transfer	(511)	-
Adjustments in respect of current income tax of previous years	(459)	(275)
Adjustments in respect of deferred tax of previous years	654	220
Change in taxation rates	(283)	1,918
Total tax charge/(credit) on profit/(loss) on ordinary activities	4,722	(8,424)

13. Investments

Details of the related undertaking of the Company as at 31 December 2017, which is directly and wholly owned and has its registered office at 1 Angel Court, London, EC2R 7HJ, is disclosed below:

	Share Class
Bupa Care Homes (BNHP) Limited	Ordinary

14. Tangible Fixed Assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Held for sale £'000	Total £'000
Cost or valuation				
At 1 January 2017	149,563	34,524	10,065	194,152
Additions	6	4,986	-	4,992
Disposal	(369)	(686)	(13,825)	(14,880)
Revaluations	5,242	-	-	5,242
Reversal of impairment losses	7,704	-	-	7,704
Impairment losses	-	-	(41)	(41)
Transfer to held for sale	(3,035)	(766)	3,801	-
At 31 December 2017	159,111	38,058	-	197,169
Depreciation				
At 1 January 2017	15,117	12,719	3,578	31,414
Charge for the year	1,681	2,791	-	4,472
Disposal	(2)	(331)	(5,112)	(5,445)
Transfer to held for sale	(1,162)	(372)	1,534	-
At 31 December 2017	15,634	14,807	-	30,441
Net Book Value				
At 31 December 2017	143,477	23,253	-	166,728
At 31 December 2016	134,446	21,805	6,487	162,738

Notes to the financial statements (continued)

14. Tangible Fixed Assets (continued)

Leased assets included above:

Net Book Value

At 31 December 2017	3,299	-	-	
At 31 December 2016	4,240	-	-	4,240
	Land and buildings £'000	Fixtures, fittings and equipment £'000	Held for sale £'000	Total £'000
Cost or valuation				
At 1 January 2016	35,822	35,815	-	71,637
Additions	183,431	8,131	-	191,562
Disposal	(26,101)	(603)	-	(26,704)
Reclassification	(49,301)	1,246	-	(48,055)
Revaluations	5,712	-	-	5,712
Transfer to held for sale	-	(10,065)	10,065	-
At 31 December 2016	149,563	34,524	10,065	194,152
Depreciation				
At 1 January 2016	3,692	11,789	-	15,481
Charge for the year	1,192	3,779	-	4,971
Disposal	(2,932)	(587)	-	(3,519)
Reclassification	(49,371)	1,316	-	(48,055)
Impairment losses	62,536	-	-	62,536
Transfer to held for sale	-	(3,578)	3,578	-
At 31 December 2016	15,117	12,719	3,578	31,414
Net Book Value				
At 31 December 2016	134,446	21,805	6,487	162,738
At 31 December 2015	32,130	24,026	-	56,156

The Company's freehold land and buildings were valued by Knight Frank, Chartered Surveyors at 30 November 2016 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 2016. The Directors have performed a review of freehold land and buildings as at 31 December 2017. This review has resulted in a revaluation of £12,946,000 against the value of certain freehold land and buildings. Other tangible assets are stated at cost less impairment.

Analysis of cost or valuation of land and buildings

	2017 £'000	2016 £'000
At open market value	54,480	41,534
At cost	183,801	183,795
Disposal	(25,409)	(23,169)
Aggregate depreciation thereon	(4,237)	(2,556)
Impairment losses	(65,158)	(65,158)
	143,477	134,446

Notes to the financial statements (continued)

14. Tangible Fixed Assets (continued)

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

	2017 £'000	2016 £'000
Historical cost of revalued assets	207,334	207,697
Depreciation based on historical cost	(11,765)	(9,202)
Historical cost net book value	195,569	198,495

15. Debtors

	2017 £'000	2016 £'000
Due within one year		
Prepayments and accrued income	-	1,017

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

	2017 £'000	2016 £'000
Due after one year		
Deferred Tax (note 18)	5,400	8,896

16. Creditors – Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Amounts owed to Bupa Group undertakings	690	827
Other creditors	5	-
	695	827

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

17. Creditors – Amounts Falling Due After One Year

	2017 £'000	2016 £'000
Due after one year		
Amounts owed by Bupa Group undertakings	125,060	145,007

Loans owed to Bupa Group undertakings are repayable after five years as follows

	Date issued	Repayment date	Interest rate	2017 £'000	2016 £'000
Bupa Care Homes (CFG) plc	May 2014	May 2024	110 basis points over six months LIBOR	125,060	145,007

Notes to the financial statements (continued)

18. Deferred Tax

Deferred tax assets of £5,400,000 have been recognised in debtors greater than one year for 2017 (2016: £8,896,000).

Deferred taxation is analysed as follows

	2017 Assets £'000	2017 Liabilities £'000	2017 Total £'000	2016 Assets £'000	2016 Liabilities £'000	2016 Total £'000
Accelerated capital allowances	-	(358)	(358)	-	(51)	(51)
Revaluation of properties to fair value	5,758	-	5,758	8,849	-	8,849
Taxation value of losses carried forward	-	-	-	98	-	98
	5,758	(358)	5,400	8,947	(51)	8,896

The movement in deferred taxation is as follows:

	At 1 January 2017 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2017 £'000
Accelerated capital allowances	(51)	(307)	-	(358)
Revaluation of properties to fair value	8,849	(2,391)	(700)	5,758
Taxation value of losses carried forward	98	(98)	-	-
	8,896	(2,796)	(700)	5,400

	At 1 January 2016 £'000	Recognised in profit and loss account £'000	Recognised in other comprehensive income £'000	At 31 December 2016 £'000
Accelerated capital allowances	(335)	284	-	(51)
Revaluation of properties to fair value	(646)	10,775	(1,280)	8,849
Taxation value of losses carried forward	104	(6)	-	98
	(877)	11,053	(1,280)	8,896

19. Called up Share Capital

	2017 £'000	2016 £'000
Allotted, called up and full paid		
Equity interest		
45,000,259 (2016: 45,000,259) ordinary shares of £1 each	45,000	45,000

20. 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.

Notes to the financial statements (continued)

20. Post Employment Benefit (continued)

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 Bupa Pension Scheme was valued as at 31 December 2017 under the requirements of International Financial Reporting. This valuation showed a surplus before deferred tax of £572.6m (2016: £475.4m) with assets of £2,157.5m (2016: £2,123.6m) and liabilities of £1,584.9m (2016: £1,648.2m), 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.

At the most recent triennial valuation, as at 1 July 2014 the scheme's independent actuary recommended payment of employer contributions at the rate of 24.8%. In addition to these employer contributions a payment equivalent to the employee contribution of 7% of pensionable salaries is paid as part of the Group's salary sacrifice arrangement (known as PeopleChoice Pensions). There is a corresponding reduction in members' wages and salaries as a result.

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

21. Intangible assets

	IT Software £'000
Cost or valuation	
At 1 January 2017	40
Disposals	(40)
At 31 December 2017	-
Amortisation	
At 1 January 2017	14
Disposals	(14)
At 31 December 2017	-
Net Book Value	
At 31 December 2017	-
At 31 December 2016	26

Notes to the financial statements (continued)

21. Intangible assets (continued)

	IT Software £'000
Cost or valuation	
At 1 January 2016	-
Additions	40
At 31 December 2016	40
Amortisation	
At 1 January 2016	-
Charge for the year	14
At 31 December 2016	14
Net Book Value	
At 31 December 2016	26
At 31 December 2015	-

22. 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.

(iii) Financial Commitments

	2017 £'000	2016 £'000
Land and buildings		
Expiry date		
- Not later than one year	-	1,775

(iv) Capital Commitments

The Company has £1,381,000 (2016: £nil) outstanding capital commitments at the end of the year.

23. Related Party Transactions

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

See note 8 for disclosure of the Directors' remuneration.